



**ROWAN UNIVERSITY**

(A Component Unit of the State of New Jersey)

Basic Financial Statements, Management's Discussion  
and Analysis and Schedules of Expenditures  
of Federal and State of New Jersey Awards

June 30, 2010

(With Independent Auditors' Reports Thereon)

**ROWAN UNIVERSITY**  
(A Component Unit of the State of New Jersey)

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**ROWAN UNIVERSITY**  
(A Component Unit of the State of New Jersey)

Management's Discussion and Analysis

June 30, 2010 and 2009

**Introduction**

This section of Rowan University's (the University) financial statements presents our discussion and analysis of the University's financial performance during the fiscal years that ended on June 30, 2010 and 2009, and comparative amounts for the year ended June 30, 2008. Since this discussion and analysis is designed to focus on current activities, it should be read in conjunction with the University's basic financial statements, which follows this section. Management has prepared the financial statements and the related footnote disclosures, along with the discussion and analysis.

**College Overview**

Rowan University is a selective, medium-sized public university located in Glassboro, New Jersey. It is recognized for its nationally ranked academic and athletic programs, talented professors and high-tech facilities. The University prides itself on being able to provide its more than 11,000 students an outstanding education at an exceptional value.

The University offers 80 undergraduate majors, including 3 accelerated Bachelor's to Master's programs; 55 majors leading to master's degree; 7 professional certification programs; 26 graduate certification of graduate student programs; 6 teacher certification programs, and a doctoral program in educational leadership. Students can pursue their degrees at the main campus, its Camden campus, online, or at several community colleges.

Rowan has been recognized by national organizations that evaluate colleges and universities. US News & World Report ranks Rowan 23<sup>rd</sup> of Northern Regional Universities, 3<sup>rd</sup> among the publics in the category. The Princeton Review included Rowan in its latest edition of "The Best Northeastern Colleges" and the Rohrer College of Business in its edition of the "Best 296 Business Schools." Forbes recognized Rowan in its annual listing of "America's Best Colleges."

Rowan's commitment to the environment was recognized when the U.S. EPA named it a "Top Green Power Purchaser" in its athletic conference and The Princeton Review listed it in its "Guide to 286 Green Colleges." The University has earned 11 awards for green initiatives since 2007.

The State of New Jersey (the State) recognizes the University as a public institution of higher education. The New Jersey Legislature appropriates funds annually to support the University. However, the University operates autonomously from the State.

**Financial Statements**

The University's financial statements include three basic financial statements: Statements of Net Assets; Statements of Revenues, Expenses and Changes in Net Assets; and Statements of Cash Flows, which have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB). These statements focus on its assets, liabilities, revenues, expenses, and cash flows on an entity-wide basis.

**ROWAN UNIVERSITY**  
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Management's Discussion and Analysis

June 30, 2010 and 2009

**Statement of Net Assets**

The Statement of Net Assets presents the assets, liabilities, and net assets of the University as of the end of the fiscal year. The Statement of Net Assets is a point of time financial statement. The purpose of the Statement of Net Assets is to present to the readers of the financial statements a fiscal snapshot of Rowan University. The Statement of Net Assets presents end-of-the-year data concerning assets (current and noncurrent), liabilities (current and noncurrent), and net assets (assets minus liabilities).

Net assets are one indicator of the current financial condition of the University while the change in net assets is an indicator of whether the overall financial condition has improved or worsened during the year.

From the data presented, readers of the Statement of Net Assets are able to determine the assets available to continue the operations of the institution. They are also able to determine how much the institution owes vendors, investors, and lending institutions. Finally, the Statement of Net Assets provides a picture of the net assets (assets minus liabilities) and their availability for expenditure by the institution.

Net assets are divided into three major categories. The first category, invested in capital assets, net of related debt, provides the institution's equity in property, plant, and equipment owned by the institution. The next asset category is restricted net assets, expendable. Expendable restricted net assets are available for expenditure by the institution but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net assets. Unrestricted assets are available to the institution for any lawful purpose of the institution.

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

	<u>2010</u>	<u>2009</u>	<u>2008</u>
		(In thousands)	
Current assets	\$ 115,458	92,865	84,878
Noncurrent assets	467,204	424,953	437,548
Total assets	<u>\$ 582,662</u>	<u>517,818</u>	<u>522,426</u>
Current liabilities	\$ 39,827	35,964	31,113
Noncurrent liabilities	370,093	333,366	339,423
Total liabilities	<u>\$ 409,920</u>	<u>369,330</u>	<u>370,536</u>
Net assets:			
Invested in capital assets, net of related debt	\$ 71,335	74,663	81,545
Restricted expendable for:			
Renewal and replacement	650	650	650
Debt service	6,165	5,915	4,545
Debt service reserve	14,521	14,521	16,004
Medical School	15,600	—	—
Unrestricted	<u>64,471</u>	<u>52,738</u>	<u>49,146</u>
Total net assets	<u>\$ 172,742</u>	<u>148,487</u>	<u>151,890</u>

**ROWAN UNIVERSITY**  
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Current assets consist of cash and cash equivalents, deposits held by bond trustees under bond agreements for current principal and interest payments, receivables and other assets. Noncurrent assets consist of deposits held by bond trustees under bond agreements for capital activities, investments, deferred financing costs, and net capital assets. Current liabilities consist of accounts payable and accrued expenses, due to the State of New Jersey, compensated absences, accrued interest payable, deferred revenue and the current portion of bonds payable and long-term debt. Noncurrent liabilities consist primarily of bonds payable, long-term debt, capital lease payable, compensated absences, and deposits held in custody for others.

***Fiscal Year 2010 Compared to 2009***

The University's Statement of Net Assets at June 30, 2010 reflects an increase in total assets of \$64.8 million. Current assets increased \$22.6 million from \$92.9 million at June 30, 2009 to \$115.5 million at June 30, 2010. This increase is primarily a result of increases in cash and cash equivalents of \$21.7 million as well as an increase in total receivables of \$1.1 million. The cash and cash equivalents increase can mainly be attributed to the \$15.6 million increase for the medical school appropriation as well as the increase in net student revenues.

Noncurrent assets increased \$42.3 million in the year ended June 30, 2010. The primary cause for this was an increase of \$43.6 million due to the recording of a capital lease.

Total net assets increased by \$24.3 million at June 30, 2010 compared to June 30, 2009. Invested in capital assets, net of related debt decreased \$3.3 million during the respective time period. Unrestricted net assets increased \$11.7 million. Restricted expendable net assets increased \$15.8 million due primarily to the medical school appropriation of \$15.6 million.

***Fiscal Year 2009 Compared to 2008***

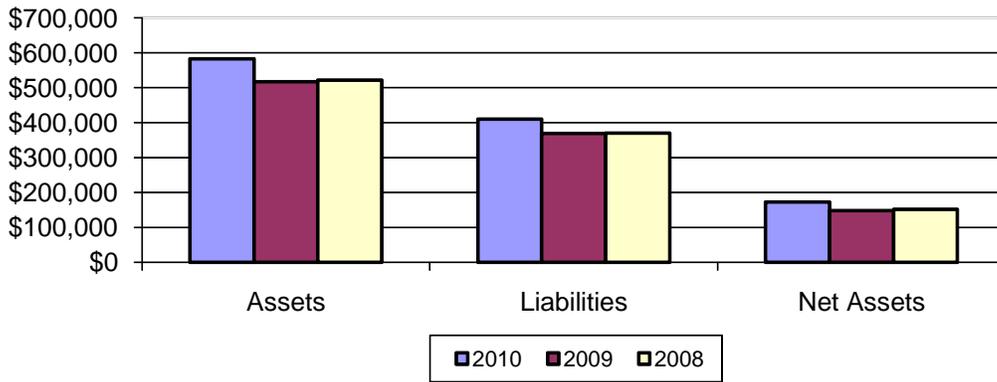
The University's Statement of Net Assets at June 30, 2009 reflects a decrease in total assets of \$4.6 million. Current assets increased \$8.0 million from \$84.9 million at June 30, 2008 to \$92.9 million at June 30, 2009. This increase is primarily a result of increases in cash and cash equivalents of \$3.4 million as well as an increase in total receivables of \$3.6 million. The cash and cash equivalents increase can mainly be attributed to the \$4.3 million increase in net student fee revenue.

Noncurrent assets decreased \$12.6 million in the year ended June 30, 2009. The primary cause for this was a decrease of \$20.1 million in the University's deposits held by bond trustees offset by an increase in capital assets of \$7.8 million.

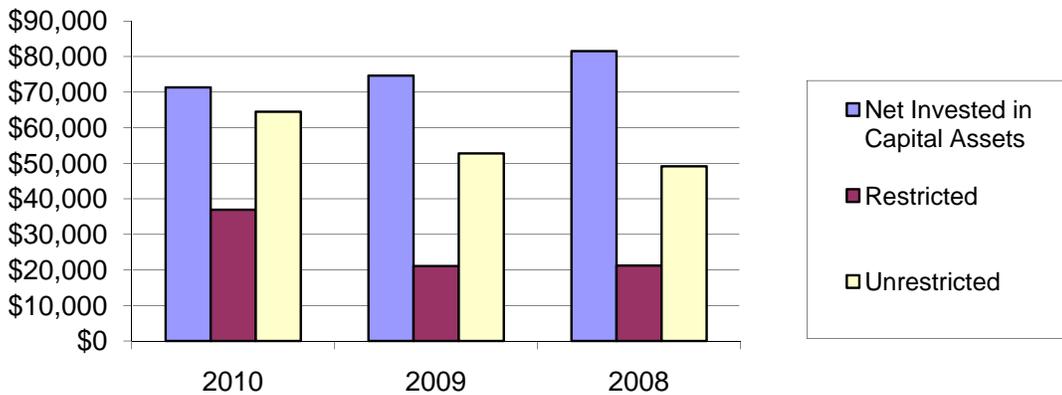
Total net assets decreased by \$3.4 million at June 30, 2009 compared to June 30, 2008. Invested in capital assets, net of related debt decreased \$6.9 million during the respective time period. Unrestricted net assets increased \$3.6. Restricted expendable net assets decreased \$.1 million as a result of a decrease in debt service reserve requirements.

**ROWAN UNIVERSITY**  
 (A Component Unit of the State of New Jersey)  
 Management's Discussion and Analysis  
 June 30, 2010 and 2009

**Summary of Statement of Net Assets  
 For the Years Ended June 30  
 (In thousands)**



**Comparative Net Assets  
 As of June 30  
 (In thousands)**



**Statement of Revenues, Expenses, and Changes in Net Assets**

The year to year changes in total net assets as presented on the Statement of Net Assets are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Assets. The purpose of the statement is to present the revenues received by the institution, both operating and nonoperating, and the expenses paid by the institution, operating and nonoperating, and any other revenues, expenses, gains, and losses received or spent by the institution.

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Generally speaking, operating revenues are received for providing goods and services to the various customers and constituencies of the institution. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the institution. Nonoperating revenues are revenues received for which goods and services are not provided. For example, state appropriations are nonoperating because they are provided by the Legislature to the institution without the Legislature directly receiving commensurate goods and services for those revenues.

The Statement of Revenues, Expenses, and Changes in Net Assets presents the University's results of operations. A summary of the University's revenues, expenses, and changes in net assets for the years ended June 30, 2010, 2009, and 2008 follows:

	<b>2010</b>	<b>2009</b>	<b>2008</b>
		(In thousands)	
Operating revenues:			
Net student revenues	\$ 116,349	107,087	102,831
Grants	32,731	27,024	22,987
Other	4,454	5,530	5,920
Total operating revenues	153,534	139,641	131,738
Operating expenses	201,371	204,457	188,671
Operating loss	(47,837)	(64,816)	(56,933)
Nonoperating revenues (expenses):			
State appropriations	61,646	65,216	63,580
State appropriations - Medical School	15,600	—	—
Gifts	7,957	8,178	6,987
Investment income	801	1,853	2,429
Interest on capital asset related debt	(15,221)	(13,670)	(11,668)
Transfer from (to) South Jersey Technology Park at Rowan University	—	—	551
Other nonoperating revenue (expenses), net	1,309	(317)	(1,057)
Net nonoperating revenues	72,092	61,260	60,822
(Loss) income before other revenues	24,255	(3,556)	3,889
Capital grants	—	153	153
(Decrease) increase in net assets	24,255	(3,403)	4,042
Net assets – beginning of year	148,487	151,890	147,848
Net assets – end of year	\$ 172,742	148,487	151,890

**ROWAN UNIVERSITY**  
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Management's Discussion and Analysis

June 30, 2010 and 2009

***Fiscal Year 2010 Compared to 2009***

The University's net assets increased by \$24.3 million in fiscal year 2010. This balance represents the total revenue available to the University of \$240.8 million compared to total expenses of \$216.5 million. This increase can be attributed to the medical school appropriation as well as increased student revenues and prudent expense monitoring.

***Fiscal Year 2009 Compared to 2008***

The University's net assets decreased by \$3.4 million in fiscal year 2009. This balance represents the total revenue available to the University of \$214.9 million compared to total expenses of \$218.4 million. This decrease can be attributed to the University's decision to use reserves to balance its budget as well as increases in utilities and debt service expenses.

**Revenues**

To fund its operations, the University receives revenues from a variety of sources including tuition and fees, grants and contracts, auxiliary services, State of New Jersey appropriations, investment income and gifts from the Rowan University Foundation. The University is continuing to seek additional funds from all possible sources to adequately fund operating activities.

	<u>2010</u>		<u>2009</u>		<u>2008</u>	
	<u>Amount</u>	<u>% of total</u>	<u>Amount</u>	<u>% of total</u>	<u>Amount</u>	<u>% of total</u>
	(Amounts in thousands)					
Operating revenues:						
Net student revenue	\$ 116,349	75.8%	\$ 107,087	76.7%	\$ 102,831	78.1%
Grants	32,731	21.3%	27,024	19.3%	22,987	17.4%
Other	4,454	2.9%	5,530	4.0%	5,920	4.5%
Total operating revenues	<u>\$ 153,534</u>	<u>100.0%</u>	<u>\$ 139,641</u>	<u>100.0%</u>	<u>\$ 131,738</u>	<u>100.0%</u>

**Operating**

***Fiscal Year 2010 Compared to 2009***

Operating revenues for the years ended June 30, 2010 and 2009 totaled \$153,534,487 and \$139,641,286, respectively. The sources of these revenues were student revenues, net of scholarships of \$116,349,408 and \$107,087,127, respectively, governmental grants of \$32,730,887 and \$27,023,989, respectively, and other revenue of \$4,454,192 and \$5,530,170, respectively. The decrease in other revenue is a result of a decrease in self-funded programs revenue of \$1,085,803 offset by an increase in other operating revenue of \$9,825.

***Fiscal Year 2009 Compared to 2008***

Operating revenues for the years ended June 30, 2009 and 2008 totaled \$139,641,286 and \$131,738,361, respectively. The sources of these revenues were student revenues, net of scholarships of \$107,087,127 and \$102,830,786, respectively, governmental grants of \$27,023,989 and \$22,987,302, respectively, and other revenue of \$5,530,170 and \$5,920,273, respectively. The decrease in other revenue is a result of a decrease in self-funded programs revenue of \$354,024 as well as a decrease in other operating revenue of \$36,079.

**ROWAN UNIVERSITY**  
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Management's Discussion and Analysis

June 30, 2010 and 2009

**Nonoperating**

***Fiscal Year 2010 Compared to 2009***

Nonoperating revenue (net) for the years ended June 30, 2010 and 2009 totaled \$72,091,465 and \$61,259,313, respectively. The primary source of nonoperating revenue was the State of New Jersey appropriations and fringe benefits of \$77,246,277 and \$65,215,937, respectively. The other components of nonoperating revenues were gifts from Rowan University Foundation of \$7,956,848 and \$8,177,980, respectively and investment income of \$800,675 and \$1,852,689, respectively. Interest on capital asset related debt increased from \$13,670,018 at June 30, 2009 to \$15,221,385 at June 30, 2010. Other nonoperating revenues (expenses) were \$1,309,050 and (\$317,075) respectively.

Capital grants decreased \$153,364 from June 30, 2009 to June 30, 2010.

The Statements of Revenues, Expenses, and Changes in Net Assets revealed the University had an increase of \$24,254,335 and a decrease of \$3,402,713 in net assets for the years ended June 30, 2010 and 2009, respectively.

***Fiscal Year 2009 Compared to 2008***

Nonoperating revenue for the years ended June 30, 2009 and 2008 totaled \$75,399,970 and \$73,700,104, respectively. The primary source of nonoperating revenue was the State of New Jersey appropriations and fringe benefits of \$65,215,937 and \$63,579,691, respectively. The other components of nonoperating revenues were gifts from Rowan University Foundation of \$8,177,980 and \$6,986,742, respectively, investment income of \$1,852,689 and \$2,429,222, respectively, and capital grants of \$153,364 in both years.

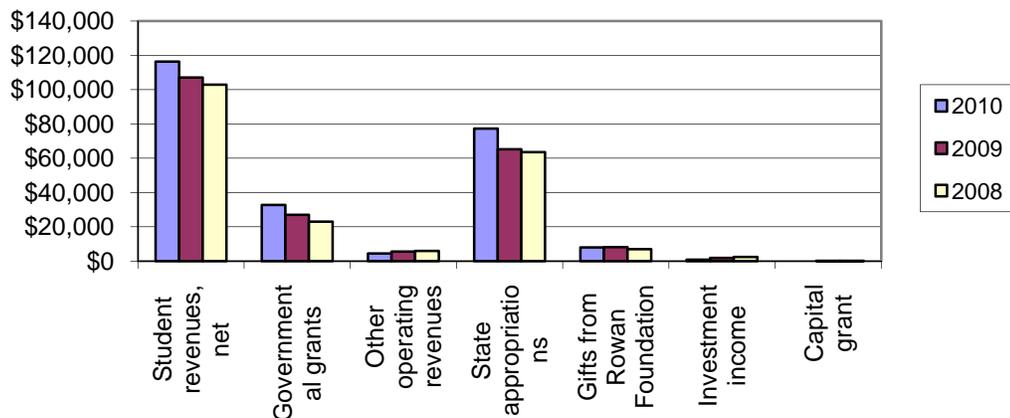
The Statements of Revenues, Expenses, and Changes in Net Assets revealed the University had a decrease of \$3,402,713 and an increase of \$4,042,254 in net assets for the years ended June 30, 2009 and 2008, respectively.

**ROWAN UNIVERSITY**  
(A Component Unit of the State of New Jersey)

Management's Discussion and Analysis

June 30, 2010 and 2009

**Revenue by Source  
For the Years Ended June 30  
(In thousands)**



Operating revenues for these periods totaled \$153,534,487, \$139,641,286, and \$131,738,361, respectively, causing losses from operations of \$47,837,130, \$64,815,590, and \$56,932,581, respectively.

**Operating Expenses**

Operating expenses are defined as expenses paid by an institution to acquire or produce goods and services used to carry out its mission, in return for operating revenues. For the years ended June 30, 2010, 2009, and 2008, the University incurred operating expenses totaling \$201,371,617, \$204,456,876, and \$188,670,942, respectively.

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

	2010		2009		2008	
	Amount	% of total	Amount	% of total	Amount	% of total
	(Amounts in thousands)					
Instruction	\$ 76,242	37.9%	\$ 74,880	36.6%	\$ 68,546	36.3%
Research	2,507	1.2	2,652	1.3	1,785	0.9
Public service	1,215	0.6	1,514	0.7	2,043	1.1
Academic support	17,184	8.5	16,420	8.0	14,466	7.7
Student services	15,766	7.8	16,732	8.2	14,894	7.9
Institutional support	25,304	12.6	29,182	14.3	28,976	15.4
Operation and maintenance	21,945	10.9	27,237	13.3	21,997	11.7
Student aid	2,057	1.0	1,488	0.7	803	0.4
Auxiliary enterprises	17,210	8.5	15,893	7.8	17,983	9.5
Depreciation/amortization	21,942	10.9	18,459	9.1	17,178	9.1
<b>Total operating expenses</b>	<b>\$ 201,372</b>	<b>100.0%</b>	<b>\$ 204,457</b>	<b>100.0%</b>	<b>\$ 188,671</b>	<b>100.0%</b>

**ROWAN UNIVERSITY**  
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Management's Discussion and Analysis

June 30, 2010 and 2009

**Capital Assets and Debt Activities**

The University continues to manage its financial resources so as to ensure adequate financial flexibility to access the capital markets as needed. The University maintains debt ratings from Standard and Poor's and Moody's Investors Service of A+ and A1, respectively.

Total capital additions were \$75.0 million, \$25.7 million, and \$24.1 million for the years ended June 30, 2010, 2009, and 2008, respectively. The major activities were the completion of deferred maintenance projects, upgrades to the University's infrastructure, as well as purchase of additional land which will be used for future expansion.

As of June 30, 2010, 2009, and 2008, the University had \$71.3 million, \$74.7 million, and \$81.5 million, respectively, invested in capital assets, net of related debt. Outstanding bonds as of June 30, 2010 were \$322.1 million, compared to \$327.6 million as of June 30, 2009.

**Economic Outlook**

State of New Jersey appropriations remain a vital source of funding for the University and the current budgetary issues with the State may have a negative impact on future funding. The University's unrestricted general operations appropriation from the State of New Jersey decreased from fiscal year 2009 to fiscal year 2010 and the University continues to experience uncertainty in its future level of state support. With increasing costs, particularly resulting from contractual obligations with faculty and staff and debt service, the University faces critical funding issues. Additionally, the University's desire to increase institutionally funded scholarships, continue building its academic program excellence and improve on its capital assets will also impact on the University's financial outlook. The University will continue to meet the goals of its mission by monitoring operating costs and seeking additional revenue sources. The University will continue to monitor the situation and maintain a close watch over resources so as to provide the University with the ability to react to potential budgetary challenges that may occur.

Through the process of continuing strategic planning and self-assessment, the University is well positioned to continue to enrich the lives of those in the campus community and surrounding region.



**KPMG LLP**  
Suite 402  
301 Carnegie Center  
Princeton, NJ 08540-6227

## **Independent Auditors' Report on Basic Financial Statements and Schedules of Expenditures of Federal and State of New Jersey Awards**

The Board of Trustees  
Rowan University:

We have audited the accompanying financial statements of the business-type activities and the discretely presented component units of Rowan University (the University), a component unit of the State of New Jersey, as of and for the years ended June 30, 2010 and 2009, which collectively comprise the University's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of Rowan University Foundation and South Jersey Technology Park at Rowan University, Inc., component units of the University, were not audited in accordance with *Government Auditing Standards*. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component units of Rowan University as of June 30, 2010 and 2009, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2010 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.



The management's discussion and analysis on pages 1 through 9 is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The University has presented certain information in management's discussion and analysis that is not required by U.S. generally accepted accounting principles.

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The accompanying schedules of expenditures of Federal and State of New Jersey awards are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey Office of Management and Budget Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 2010 basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the 2010 basic financial statements taken as a whole.

KPMG LLP

October 26, 2010

**ROWAN UNIVERSITY**  
(A Component Unit of the State of New Jersey)  
Statement of Net Assets  
June 30, 2010

Assets	Rowan University	Rowan University Foundation	South Jersey Technology Park at Rowan University	Total
Current assets:				
Cash and cash equivalents (notes 2 and 12)	\$ 90,120,965	5,215,876	1,114,455	96,451,296
Receivables:				
Students, less allowance of \$762,000	1,016,304	—	—	1,016,304
Contributions, net	—	533,731	—	533,731
Grants	7,089,139	—	—	7,089,139
State of New Jersey	1,516,927	—	—	1,516,927
Interest and other	603,706	—	21,881	625,587
Total receivables	<u>10,226,076</u>	<u>533,731</u>	<u>21,881</u>	<u>10,781,688</u>
Deposits held by bond trustees (note 3)	13,637,400	—	—	13,637,400
Other current assets	1,473,527	5,002	—	1,478,529
Total current assets	<u>115,457,968</u>	<u>5,754,609</u>	<u>1,136,336</u>	<u>122,348,913</u>
Noncurrent assets:				
Deposits held by bond trustees (note 3)	28,601,380	—	—	28,601,380
Investments, at fair value (notes 2 and 12)	1,269,819	15,700,027	—	16,969,846
Restricted nonexpendable investments, at fair value (note 12)	—	108,685,061	—	108,685,061
Contributions receivable, net	—	4,842,830	—	4,842,830
Deferred financing costs, net of accumulated amortization	3,383,098	—	—	3,383,098
Due from South Jersey Technology Park at Rowan University (note 13)	6,000,000	—	—	6,000,000
Other assets	—	30,844	—	30,844
Capital assets, net (notes 4 and 11)	427,949,341	—	12,550,676	440,500,017
Total noncurrent assets	<u>467,203,638</u>	<u>129,258,762</u>	<u>12,550,676</u>	<u>609,013,076</u>
Total assets	<u>582,661,606</u>	<u>135,013,371</u>	<u>13,687,012</u>	<u>731,361,989</u>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable and accrued expenses (note 7)	13,001,792	11,610	33,438	13,046,840
Due to State of New Jersey	71,693	—	—	71,693
Deferred revenue	10,634,068	41,531	—	10,675,599
Annuities payable – current portion	—	63,383	—	63,383
Compensated absences – current portion (notes 10 and 11)	2,162,411	40,000	—	2,202,411
Accrued interest payable	7,454,815	—	—	7,454,815
Bonds payable – current portion (notes 8 and 10)	6,165,000	—	—	6,165,000
Other long-term debt – current portion (notes 9, 10 and 11)	337,119	—	—	337,119
Total current liabilities	<u>39,826,898</u>	<u>156,524</u>	<u>33,438</u>	<u>40,016,860</u>
Noncurrent liabilities (note 10):				
Student housing deposits	96,990	—	—	96,990
Compensated absences – noncurrent portion (note 11)	2,585,524	80,000	—	2,665,524
Other liabilities	186,533	—	—	186,533
Deposits held in custody for others	1,269,139	1,081,280	—	2,350,419
Bonds payable – noncurrent portion (note 8)	315,893,899	—	—	315,893,899
Other long-term debt – noncurrent portion (note 9)	6,803,261	—	—	6,803,261
Capital lease obligation (note 11)	43,257,638	—	—	43,257,638
Due to Rowan University (note 13)	—	—	6,000,000	6,000,000
Annuities payable – noncurrent portion	—	389,752	—	389,752
Total noncurrent liabilities	<u>370,092,984</u>	<u>1,551,032</u>	<u>6,000,000</u>	<u>377,644,016</u>
Total liabilities	<u>409,919,882</u>	<u>1,707,556</u>	<u>6,033,438</u>	<u>417,660,876</u>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	71,335,179	—	6,550,676	77,885,855
Restricted:				
Nonexpendable	—	108,685,061	—	108,685,061
Expendable:				
Renewal and replacement	650,000	—	—	650,000
Debt service	6,165,000	—	—	6,165,000
Debt service reserve	14,520,650	—	—	14,520,650
Medical School	15,600,000	—	—	15,600,000
Inductotherm Scholarships	—	1,763,310	—	1,763,310
Other scholarships	—	1,374,397	—	1,374,397
College of Business	—	5,190,000	—	5,190,000
Other	—	2,579,006	—	2,579,006
Unrestricted (note 11)	64,470,895	13,714,041	1,102,898	79,287,834
Total net assets	<u>\$ 172,741,724</u>	<u>133,305,815</u>	<u>7,653,574</u>	<u>313,701,113</u>

See accompanying notes to financial statements.

**ROWAN UNIVERSITY**  
(A Component Unit of the State of New Jersey)  
Statement of Net Assets  
June 30, 2009

Assets	Rowan University	Rowan University Foundation	South Jersey Technology Park at Rowan University	Total
<b>Current assets:</b>				
Cash and cash equivalents (notes 2 and 12)	\$ 68,461,226	3,409,598	2,560,855	74,431,679
<b>Receivables:</b>				
Students, less allowance of \$760,000	1,147,501	—	—	1,147,501
Contributions, net	—	539,959	—	539,959
Grants	4,523,381	—	—	4,523,381
State of New Jersey	2,604,124	—	—	2,604,124
Due from South Jersey Technology Park at Rowan University (note 13)	103,490	—	—	103,490
Interest and other	752,051	—	140,442	892,493
<b>Total receivables</b>	<b>9,130,547</b>	<b>539,959</b>	<b>140,442</b>	<b>9,810,948</b>
Deposits held by bond trustees (note 3)	14,391,702	—	—	14,391,702
Other current assets	881,675	5,694	—	887,369
<b>Total current assets</b>	<b>92,865,150</b>	<b>3,955,251</b>	<b>2,701,297</b>	<b>99,521,698</b>
<b>Noncurrent assets:</b>				
Deposits held by bond trustees (note 3)	44,866,657	—	—	44,866,657
Investments, at fair value (notes 2 and 12)	1,145,501	11,068,061	—	12,213,562
Restricted nonexpendable investments, at fair value (note 12)	—	108,976,733	—	108,976,733
Contributions receivable, net	—	5,167,735	—	5,167,735
Deferred financing costs, net of accumulated amortization	3,593,974	—	—	3,593,974
Due from South Jersey Technology Park at Rowan University (note 13)	1,000,000	—	—	1,000,000
Capital assets, net (notes 4 and 11)	374,346,373	—	11,606,798	385,953,171
<b>Total noncurrent assets</b>	<b>424,952,505</b>	<b>125,212,529</b>	<b>11,606,798</b>	<b>561,771,832</b>
<b>Total assets</b>	<b>517,817,655</b>	<b>129,167,780</b>	<b>14,308,095</b>	<b>661,293,530</b>
<b>Liabilities</b>				
<b>Current liabilities:</b>				
Accounts payable and accrued expenses (note 7)	12,434,877	32,173	34,952	12,502,002
Due to State of New Jersey	771,645	—	—	771,645
Deferred revenue	6,651,942	53,784	—	6,705,726
Annuities payable – current portion	—	87,054	—	87,054
Compensated absences – current portion (notes 10 and 11)	1,973,580	40,000	—	2,013,580
Accrued interest payable	7,595,241	—	—	7,595,241
Due to Rowan University (note 13)	—	—	103,490	103,490
Bonds payable – current portion (notes 8 and 10)	5,915,000	—	—	5,915,000
Other long-term debt – current portion (notes 9 and 10)	621,544	—	—	621,544
<b>Total current liabilities</b>	<b>35,963,829</b>	<b>213,011</b>	<b>138,442</b>	<b>36,315,282</b>
<b>Noncurrent liabilities (note 10):</b>				
Student housing deposits	825,600	—	—	825,600
Compensated absences – noncurrent portion (note 11)	1,686,534	120,000	—	1,806,534
Other liabilities	442,245	—	—	442,245
Deposits held in custody for others	1,424,162	1,028,758	—	2,452,920
Bonds payable – noncurrent portion (note 8)	321,691,151	—	—	321,691,151
Other long-term debt – noncurrent portion (note 9)	7,296,745	—	5,000,000	12,296,745
Due to Rowan University (note 13)	—	—	1,000,000	1,000,000
Annuities payable – noncurrent portion	—	407,043	—	407,043
<b>Total noncurrent liabilities</b>	<b>333,366,437</b>	<b>1,555,801</b>	<b>6,000,000</b>	<b>340,922,238</b>
<b>Total liabilities</b>	<b>369,330,266</b>	<b>1,768,812</b>	<b>6,138,442</b>	<b>377,237,520</b>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	74,662,978	—	5,606,798	80,269,776
<b>Restricted:</b>				
Nonexpendable	—	108,976,733	—	108,976,733
Expendable:				
Renewal and replacement	650,000	—	—	650,000
Debt service	5,915,000	—	—	5,915,000
Debt service reserve	14,520,800	—	—	14,520,800
Inductotherm Scholarships	—	2,578,023	—	2,578,023
Other scholarships	—	837,157	—	837,157
Capital construction	—	87,734	—	87,734
College of Business	—	5,420,000	—	5,420,000
Other	—	621,958	—	621,958
Unrestricted (note 11)	52,738,611	8,877,363	2,562,855	64,178,829
<b>Total net assets</b>	<b>\$ 148,487,389</b>	<b>127,398,968</b>	<b>8,169,653</b>	<b>284,056,010</b>

See accompanying notes to financial statements.

**ROWAN UNIVERSITY**  
(A Component Unit of the State of New Jersey)  
Statement of Revenues, Expenses, and Changes in Net Assets  
Year ended June 30, 2010

	<u>Rowan University</u>	<u>Rowan University Foundation</u>	<u>South Jersey Technology Park at Rowan University</u>	<u>Total</u>
Operating revenues:				
Net student revenues:				
Tuition and fees	\$ 115,508,089	—	—	115,508,089
Auxiliary enterprises	33,148,116	—	—	33,148,116
Less scholarship allowances	(32,306,797)	—	—	(32,306,797)
Net student revenues	116,349,408	—	—	116,349,408
Grants	32,730,887	—	—	32,730,887
Self-funded programs	3,968,883	—	—	3,968,883
Fund-raising events	—	98,796	—	98,796
Contributions	—	1,526,806	—	1,526,806
Rental income (note 13)	—	—	601,779	601,779
Other operating revenues	485,309	—	14,691	500,000
Total operating revenues	153,534,487	1,625,602	616,470	155,776,559
Operating expenses:				
Instruction	76,241,969	—	—	76,241,969
Research	2,506,640	—	—	2,506,640
Public service	1,214,964	—	—	1,214,964
Academic support	17,183,890	—	—	17,183,890
Student services	15,766,264	—	—	15,766,264
Institutional support	25,303,940	116,991	424,778	25,845,709
Operation and maintenance of plant	21,945,159	—	136,439	22,081,598
Student aid	2,057,407	—	—	2,057,407
Auxiliary enterprises	17,209,490	—	—	17,209,490
Depreciation and amortization	21,941,894	—	326,259	22,268,153
Total operating expenses	201,371,617	116,991	887,476	202,376,084
Operating (loss) income	(47,837,130)	1,508,611	(271,006)	(46,599,525)
Nonoperating revenues (expenses):				
State of New Jersey appropriations	33,510,000	—	—	33,510,000
State of New Jersey appropriations - Medical School	15,600,000	—	—	15,600,000
State of New Jersey fringe benefits (note 5)	28,136,277	—	—	28,136,277
Student scholarships	—	(1,053,393)	—	(1,053,393)
Gifts from Rowan University Foundation (note 12)	7,956,848	(7,956,848)	—	—
Other grants	—	(2,508)	—	(2,508)
Investment income	800,675	13,394,005	31,448	14,226,128
Investment expenses	—	(114,311)	—	(114,311)
Interest on capital asset related debt	(15,221,385)	—	(276,521)	(15,497,906)
Other nonoperating revenues, net	1,309,050	(58,004)	—	1,251,046
Net nonoperating revenues (expenses)	72,091,465	4,208,941	(245,073)	76,055,333
Gain (loss) before other revenues	24,254,335	5,717,552	(516,079)	29,455,808
Additions to permanent endowments	—	189,295	—	189,295
Increase (decrease) in net assets	24,254,335	5,906,847	(516,079)	29,645,103
Net assets as of beginning of year	148,487,389	127,398,968	8,169,653	284,056,010
Net assets as of end of year	\$ 172,741,724	133,305,815	7,653,574	313,701,113

See accompanying notes to financial statements.

**ROWAN UNIVERSITY**  
(A Component Unit of the State of New Jersey)  
Statement of Revenues, Expenses, and Changes in Net Assets  
Year ended June 30, 2009

	<u>Rowan University</u>	<u>Rowan University Foundation</u>	<u>South Jersey Technology Park at Rowan University</u>	<u>Total</u>
Operating revenues:				
Net student revenues:				
Tuition and fees	\$ 105,116,525	—	—	105,116,525
Auxiliary enterprises	28,272,581	—	—	28,272,581
Less scholarship allowances	(26,301,979)	—	—	(26,301,979)
Net student revenues	107,087,127	—	—	107,087,127
Grants	27,023,989	—	—	27,023,989
Self-funded programs	5,054,686	—	—	5,054,686
Fund-raising events	—	71,514	—	71,514
Contributions	—	2,390,747	—	2,390,747
Rental income (note 13)	—	—	461,785	461,785
Other operating revenues	475,484	—	—	475,484
Total operating revenues	139,641,286	2,462,261	461,785	142,565,332
Operating expenses:				
Instruction	74,879,667	—	—	74,879,667
Research	2,652,246	—	—	2,652,246
Public service	1,514,459	—	—	1,514,459
Academic support	16,420,037	—	—	16,420,037
Student services	16,732,138	—	—	16,732,138
Institutional support	29,181,532	186,808	502,636	29,870,976
Operation and maintenance of plant	27,236,848	—	98,050	27,334,898
Student aid	1,488,524	—	—	1,488,524
Auxiliary enterprises	15,892,669	—	—	15,892,669
Depreciation and amortization	18,458,756	—	144,849	18,603,605
Total operating expenses	204,456,876	186,808	745,535	205,389,219
Operating (loss) income	(64,815,590)	2,275,453	(283,750)	(62,823,887)
Nonoperating revenues (expenses):				
State of New Jersey appropriations	35,799,500	—	—	35,799,500
State of New Jersey fringe benefits (note 5)	29,416,437	—	—	29,416,437
Student scholarships	—	(1,047,964)	—	(1,047,964)
Gifts from Rowan University Foundation (note 12)	8,177,980	(8,177,980)	—	—
Other grants	—	(3,862)	—	(3,862)
Investment income	1,852,689	(29,628,731)	31,061	(27,744,981)
Investment expenses	—	(368,141)	—	(368,141)
Interest on capital asset related debt	(13,670,018)	—	(308,472)	(13,978,490)
Transfer from (to) South Jersey Technology Park at Rowan University	—	(200,000)	200,000	—
Other nonoperating expenses, net	(317,075)	(131,366)	—	(448,441)
Net nonoperating revenues (expenses)	61,259,513	(39,558,044)	(77,411)	21,624,058
Loss before other revenues	(3,556,077)	(37,282,591)	(361,161)	(41,199,829)
Additions to permanent endowments	—	194,919	—	194,919
Capital grants	153,364	—	500,000	653,364
(Decrease) increase in net assets	(3,402,713)	(37,087,672)	138,839	(40,351,546)
Net assets as of beginning of year	151,890,102	164,486,640	8,030,814	324,407,556
Net assets as of end of year	\$ 148,487,389	127,398,968	8,169,653	284,056,010

See accompanying notes to financial statements.

**ROWAN UNIVERSITY**  
(A Component Unit of the State of New Jersey)  
Statements of Cash Flows  
(Business-Type Activities – Rowan University only)  
Years ended June 30, 2010 and 2009

	<b>2010</b>	<b>2009</b>
Cash flows from operating activities:		
Student revenues	\$ 116,478,605	106,938,119
Government grants	30,165,129	24,340,813
Payments to suppliers	(46,031,767)	(46,396,785)
Payments for employee salaries and benefits	(105,990,573)	(106,633,516)
Self-funded programs and other receipts	4,729,831	4,608,309
Net cash used by operating activities	(648,775)	(17,143,060)
Cash flows from noncapital financing activities:		
State of New Jersey appropriations	49,110,000	35,799,500
Gifts	7,956,848	8,177,980
Net cash provided by noncapital financing activities	57,066,848	43,977,480
Cash flows from capital and related financing activities:		
Drawdown of deposits held by bond trustees	16,999,579	20,376,277
Capital grants	—	153,364
Purchases of capital assets	(26,469,484)	(25,896,044)
Principal paid on capital debt	(8,935,271)	(5,143,371)
Interest paid on capital debt	(17,303,492)	(15,151,806)
Net cash used by capital and related financing activities	(35,708,668)	(25,661,580)
Cash flows from investing activities:		
Interest on investments	950,334	2,223,722
Net increase in cash and cash equivalents	21,659,739	3,396,562
Cash and cash equivalents as of beginning of the year	68,461,226	65,064,664
Cash and cash equivalents as of end of the year	\$ 90,120,965	68,461,226
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (47,837,130)	(64,815,590)
Adjustments to reconcile operating loss to net cash used by operating activities:		
State paid fringe benefits	28,136,277	29,416,437
Depreciation and amortization expense	21,941,894	18,458,756
Changes in assets and liabilities:		
Receivables	(6,523,451)	(3,611,267)
Inventories	—	192,100
Other current assets	(163,930)	46,137
Accounts payable and accrued expenses	566,915	1,297,544
Due to State of New Jersey	(699,952)	705,871
Deferred revenue	3,982,126	986,554
Student housing deposits	(728,610)	(41,700)
Compensated absences	1,087,821	181,551
Other liabilities	(255,712)	26,332
Deposits held in custody for others	(155,023)	14,215
Net cash used by operating activities	\$ (648,775)	(17,143,060)
Noncash transaction:		
Capital assets acquired through capital lease obligation	\$ 45,500,000	—

See accompanying notes to financial statements.

**ROWAN UNIVERSITY**  
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

June 30, 2010 and 2009

**(1) Organization and Summary of Significant Accounting Policies**

***Organization***

Rowan University (the University), formerly Rowan College of New Jersey, was founded in 1923 and effective July 1, 1967, came under the general policy control of the New Jersey Board of Higher Education. Under the Higher Education Act of 1966, the University and all the other New Jersey State colleges became multipurpose institutions with emphasis on the liberal arts and sciences and various professional areas including the science of education and the art of teaching. The operation and management of the University is vested in the University's board of trustees.

The University is recognized as a public institution by the State of New Jersey (the State). Under the law, the University is an instrumentality of the State of New Jersey with a high degree of autonomy. However, under Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, the University is considered a component unit of the State of New Jersey for financial reporting purposes. Accordingly, the financial statements of the University are included in the State's Comprehensive Annual Financial Report.

***Summary of Significant Accounting Policies***

***Basis of Presentation***

The accounting policies of the University conform to accounting principles generally accepted in the United States of America as applicable to public colleges and universities. The University reports are based on all applicable GASB pronouncements as well as applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Review Boards of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

GASB Statement No. 35 establishes standards for external financial reporting for public colleges and universities and requires that resources be classified for accounting and reporting purposes into the following net asset categories.

- *Invested in capital assets, net of related debt:* Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.
- *Restricted:*

*Nonexpendable* – Net assets subject to externally imposed stipulations that must be maintained permanently by the University.

*Expendable* – Net assets whose use by the University is subject to externally imposed stipulations that can be fulfilled by actions of the University pursuant to the stipulations or that expire by the passage of time.

**ROWAN UNIVERSITY**  
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

June 30, 2010 and 2009

- *Unrestricted:* Net assets that are not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of management or the board of trustees or may otherwise be limited by contractual agreements with outside parties.

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.

***Measurement Focus and Basis of Accounting***

The accompanying financial statements have been prepared on the accrual basis of accounting utilizing the economic resources measurement focus. The University reports as a business-type activity, as defined by GASB Statement No. 34. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

***Cash and Cash Equivalents***

The University classifies as cash equivalents, funds that are in short-term, highly liquid investments, and are readily convertible to known amounts of cash.

The University invests portions of its cash with two custodians, a bank and the State of New Jersey Cash Management fund. Both are interest-bearing accounts from which the funds are available upon demand.

***Investments***

Investments are reflected at fair value, which is based on quoted market prices. Purchases and sales of investments are accounted for on the trade-date basis. Investment income is recorded on an accrual basis. Realized and unrealized gains and losses are reported in investment income.

***Capital Assets***

Capital assets include land, land improvements, buildings, and equipment. Such assets are recorded at historical cost. The costs of normal maintenance and repairs that do not add value to the asset are not capitalized. Major outlays for capital assets are capitalized as projects are constructed. Capital assets are depreciated using the straight-line method over the following useful lives:

	<u>Useful lives</u>
Land improvements	20 years
Buildings	20 – 40 years
Equipment	3 – 20 years

***Deferred Financing Costs***

The University capitalizes costs incurred in connection with its bonds payable and amortizes these costs over the life of the respective obligations.

**ROWAN UNIVERSITY**  
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

June 30, 2010 and 2009

***Deposits Held in Custody for Others***

The University holds cash and cash equivalents as custodian primarily for the Student Government Association.

***Financial Dependency***

One of the University's largest sources of revenue are appropriations from the State of New Jersey, which include state paid fringe benefits. The University is economically dependent on these appropriations to carry on its operations.

***Student Tuition and Fees***

Student tuition and fees are presented net of scholarships applied to student accounts, while other payments made directly to students are presented as student aid expenses and are recognized in the period incurred. Student tuition and fees collected in advance of the fiscal year are recorded as deferred revenue in the accompanying statements of net assets.

***Grants and Contracts***

All grants and contracts are recognized as the related expenses are incurred. Amounts received from grants and contracts, which have not yet been earned under the terms of the agreement are recorded as deferred revenue in the accompanying statements of net assets.

***Classification of Revenue***

The University's policy for defining operating activities in the statements of revenues, expenses, and changes in net assets are those that serve the University's principal purpose and generally result from exchange transactions such as the payment received for services and payment made for the purchase of goods and services. Examples include (1) student tuition and fees, net of scholarship allowances, and (2) most Federal, State, and private grants and contracts. Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as operating appropriations from the state, private gifts, and investment income.

***Use of Estimates***

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

***Tax Status***

The University is exempt from Federal income taxes under Internal Revenue Code Section 115.

**ROWAN UNIVERSITY**  
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

June 30, 2010 and 2009

**(2) Cash, Cash Equivalents, and Investments**

The University has an investment policy, which establishes guidelines for permissible investments. Short-term investment options include, but are not limited to, the use of the New Jersey Cash Management Fund, and other investment vehicles (i.e. Certificates of Deposit, Repurchase Agreements, etc.) that are deemed appropriate and within the risk parameters as determined by the University board of trustees and the University Executive Staff.

The University's long-term investment options include, but are not limited to, the purchase of U.S. Treasury securities, U.S. Government obligations, and other investment vehicles (i.e. stock, corporate bonds, NJ Municipal obligations, etc.) that are deemed appropriate and within the risk parameters as determined by the University board of trustees and the University Executive Staff.

Cash, cash equivalents, and investments are carried in the financial statements at fair value and consist of the following as of June 30, 2010 and 2009:

	<b>2010</b>	<b>2009</b>
Cash	\$ 12,971,661	4,439,250
State of New Jersey Cash Management Fund	5,593,458	17,571,537
Money market funds and certificates of deposit	71,555,846	46,450,439
Total cash and cash equivalents	\$ 90,120,965	68,461,226
Investments:		
U.S. Treasury notes	\$ 839,810	765,907
TIAA-CREF mutual fund	430,009	379,594
Total investments	\$ 1,269,819	1,145,501

The University's investment at TIAA-CREF and State of New Jersey Cash Management Fund are unrated.

The University's investments and deposits held by bond trustees are subject to various risks. Among these risks are credit risk, concentration of credit risk, and interest rate risk. Each one of these risks is discussed in more detail below.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The credit risk of a debt instrument is measured by nationally recognized statistical rating agencies such as Moody's Investors Service, Inc. (Moody's). The University's investment policy requires that U.S. Agency bonds are rated Aaa/AAA by Moody's and the corporate bonds are rated Baa.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University's investment policy does not specifically address limitations in the maturities of investments. See table in note 3 for ratings of deposits held by bond trustees.

**ROWAN UNIVERSITY**  
(A Component Unit of the State of New Jersey)

Notes to Financial Statements

June 30, 2010 and 2009

**(3) Deposits Held by Bond Trustees**

Deposits held by bond trustees include restricted funds held by three Board approved trustees. Deposits held by trustees are carried in the financial statements at fair value and consist of cash and U.S. Treasury obligations. Deposits held by trustees include funds for construction, renewal and replacement, debt service reserve, and debt service.

	<b>2010</b>	<b>2009</b>
Construction funds	\$ 17,918,015	33,564,298
Renewal and replacement funds	651,890	653,263
Debt service reserve funds	10,031,475	10,649,096
Debt service funds	13,637,400	14,391,702
	42,238,780	59,258,359
Less current portion	13,637,400	14,391,702
Noncurrent deposits held by bond trustees	\$ 28,601,380	44,866,657

Deposits held by trustees were \$42,238,780 and \$59,258,359 as of June 30, 2010 and 2009, respectively. Of these amounts, \$24,527,194 and \$41,808,296 as of June 30, 2010 and 2009, respectively, were invested in fixed income holdings, with the remainder in money market investments.

The following tables summarize the maturities and agency ratings of the fixed income securities included in the University's deposits held by bond trustees as of June 30, 2010 and 2009:

<b>2010</b>	<b>Rating</b>	<b>Market value</b>	<b>Less than 1 year</b>	<b>1-5 years</b>
Treasury bills and notes	AAA	\$ 24,527,194	24,527,194	—
		\$ 24,527,194	24,527,194	—
<b>2009</b>	<b>Rating</b>	<b>Market value</b>	<b>Less than 1 year</b>	<b>1-5 years</b>
Treasury bills and notes	AAA	\$ 41,808,296	41,808,296	—
		\$ 41,808,296	41,808,296	—

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**(4) Capital Assets**

The detail of capital assets activity for the years ended June 30, 2010 and 2009 follows:

<u>2010</u>	<u>Beginning balance</u>	<u>Additions</u>	<u>Deletions/ transfers</u>	<u>Ending balance</u>
Nondepreciable assets:				
Land	\$ 36,001,470	6,256,825	—	42,258,295
Construction in progress	31,050,745	25,980,754	(25,371,857)	31,659,642
Total nondepreciable assets	<u>67,052,215</u>	<u>32,237,579</u>	<u>(25,371,857)</u>	<u>73,917,937</u>
Depreciable assets:				
Land improvements	27,123,328	3,845,357	—	30,968,685
Buildings	394,134,572	61,734,791	—	455,869,363
Equipment	23,675,261	2,520,369	—	26,195,630
Total depreciable assets	<u>444,933,161</u>	<u>68,100,517</u>	<u>—</u>	<u>513,033,678</u>
Less accumulated depreciation:				
Land improvements	8,787,547	1,390,188	—	10,177,735
Buildings	115,921,066	17,625,521	—	133,546,587
Equipment	12,930,390	2,347,562	—	15,277,952
Total accumulated depreciation	<u>137,639,003</u>	<u>21,363,271</u>	<u>—</u>	<u>159,002,274</u>
Total capital assets, net	<u>\$ 374,346,373</u>	<u>78,974,825</u>	<u>(25,371,857)</u>	<u>427,949,341</u>

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<u>2009</u>	<u>Beginning balance</u>	<u>Additions</u>	<u>Deletions/ transfers</u>	<u>Ending balance</u>
Nondepreciable assets:				
Land	\$ 33,938,344	2,063,126	—	36,001,470
Construction in progress	38,864,300	23,394,635	(31,208,190)	31,050,745
Total nondepreciable assets	<u>72,802,644</u>	<u>25,457,761</u>	<u>(31,208,190)</u>	<u>67,052,215</u>
Depreciable assets:				
Land improvements	26,351,449	771,879	—	27,123,328
Buildings	365,761,387	28,373,185	—	394,134,572
Equipment	21,397,285	2,277,976	—	23,675,261
Total depreciable assets	<u>413,510,121</u>	<u>31,423,040</u>	<u>—</u>	<u>444,933,161</u>
Less accumulated depreciation:				
Land improvements	7,478,838	1,308,709	—	8,787,547
Buildings	101,567,580	14,353,486	—	115,921,066
Equipment	10,708,731	2,221,659	—	12,930,390
Total accumulated depreciation	<u>119,755,149</u>	<u>17,883,854</u>	<u>—</u>	<u>137,639,003</u>
Total capital assets, net	<u>\$ 366,557,616</u>	<u>38,996,947</u>	<u>(31,208,190)</u>	<u>374,346,373</u>

Depreciation expense for the years ended June 30, 2010 and 2009 was \$21,363,271 and \$17,883,854, respectively. During 2010 and 2009, the University has capitalized interest expense, net of related interest income of \$1,914,296 and \$1,558,017, respectively, in construction in progress in the accompanying statements of net assets. Estimated costs to complete capital projects included in construction in progress as of June 30, 2010 approximates \$15,829,000. Financing for these projects is approximately \$14,907,000 in bond proceeds and \$922,000 in University funds.

**(5) State of New Jersey Fringe Benefits**

The State of New Jersey, through separate appropriations, pays certain fringe benefits, principally pension costs, health benefits, and FICA taxes, on behalf of University employees. The costs of these benefits, \$28,136,277 and \$29,416,437, respectively, for fiscal years 2010 and 2009, were paid directly by the State of New Jersey on behalf of the University and are included in the accompanying financial statements as State of New Jersey fringe benefits revenue and as expenses.

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**(6) Retirement Plans**

***Plan Descriptions***

The University participates in several retirement plans covering its employees – Public Employees' Retirement System (PERS), the Alternate Benefit Program (ABP), and the Teachers' Pension and Annuity Fund (TPAF). Generally all employees, except certain part-time employees, participate in one of these plans.

PERS was established under the provisions of N.J.S.A. 43:15A to provide coverage, including post-retirement health care, to substantially all full-time employees of the State of New Jersey or public agency provided the employee is not a member of another state-administered retirement system. PERS is a cost-sharing, multiple-employer defined benefit pension plan administered by the State of New Jersey.

ABP presently makes contributions to six state approved investment carriers. ABP alternatives are administered by a separate board of trustees.

Certain faculty members of the University participate in the TPAF, which is a State of New Jersey cost-sharing, single-employer defined benefit pension plan. TPAF was established under the provisions of N.J.S.A. 18:66 to provide coverage to substantially all full-time public school teachers of the State of New Jersey.

The State of New Jersey issues publicly available financial reports that include financial statements and required supplementary information for PERS and TPAF. These reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pension and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

***PERS Funding Policies***

PERS members contribute at a uniform rate. The full normal employee contribution rate became 5.5% of annual compensation, effective July 1, 2007. Employers are required to contribute at an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances, cost-of-living adjustments, and non-contributory death benefits. The State of New Jersey contributes to PERS on behalf of the University. The contribution requirements of the plan members and the University are established and may be amended by the State of New Jersey.

***Alternate Benefit Program (ABP) Information***

ABP provides the choice of six investment carriers. The University assumes no liability for ABP members other than payment of contributions. ABP 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. Participation eligibility as well as contributory and noncontributory requirements are established by the State of New Jersey Retirement and Social Security Law.

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Benefits are determined by the amount of individual accumulations and the retirement income option selected. All benefits vest after the completion of one year of service. Individually owned annuity contracts that provide for full ownership of retirement and survivor benefits are purchased at the time of vesting. Participating University employees contribute 5% of salary and may contribute a voluntary additional contribution up to the maximum Federal statutory limit, on a pre-tax basis. Employer contributions are 8%. During the years ended June 30, 2010 and 2009, ABP investment carriers received employer and employee contributions as follows:

	<b>2010</b>	<b>2009</b>
Employer contributions	\$ 4,439,946	4,205,296
Employee contributions	6,645,099	6,815,291
Basis for contributions:		
Participating employee salaries	55,499,319	52,566,206

Employer contributions to ABP are paid by the State of New Jersey and are reflected in the accompanying financial statements as State of New Jersey fringe benefit revenue and as expenses.

***Post Employment Benefits Other than Pensions***

The State of New Jersey implemented Government Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for the fiscal year ended June 30, 2008. The State of New Jersey is legally responsible for contributions to the other postemployment benefits plan that covers the employees of the University. The employees of the University are employees of the State of New Jersey, therefore the other postemployment benefit plans liability are reported by the State of New Jersey.

**(7) Accounts Payable and Accrued Expenses**

Accounts payable and accrued expenses consist of the following as of June 30, 2010 and 2009:

	<b>2010</b>	<b>2009</b>
Vendors and other	\$ 8,593,616	8,253,630
Salaries and benefits	4,408,176	4,181,247
Total accounts payable and accrued expenses	\$ 13,001,792	12,434,877

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**(8) Bonds Payable**

Capital assets are financed through revenue bonds of the New Jersey Educational Facilities Authority (the Authority). The following obligations to the Authority were outstanding as of June 30, 2010 and 2009:

	<u>Interest rate</u>	<u>2010</u>	<u>2009</u>
Series 1974 E Revenue Bonds, due serially to 2009	7.0%	\$ —	415,000
Series 1983 D Revenue Bonds, due serially to 2013	3.0%	690,000	850,000
Series 2000 B Revenue Bonds, due serially to 2010	5.0% – 5.25%	1,210,000	2,360,000
Series 2001 B Revenue Bonds, due serially to 2011	4.25%	210,000	210,000
Series 2001 C Revenue Refunding Bonds, due serially to 2026	5.0% – 5.25%	38,850,000	40,470,000
Series 2002 K Revenue Bonds, due serially to 2012	4.0%	665,000	665,000
Series 2003 I Revenue Bonds, due serially to 2013	3.0% – 5.0%	6,880,000	7,820,000
Series 2003 J Revenue Bonds, due serially to 2008	3.0%	—	—
Series 2004 C Revenue Bonds, due serially to 2014	4.0% – 5.0%	8,680,000	8,680,000
Series 2005 D Revenue Refunding Bonds, due serially to 2030	3.25% – 5.25%	51,360,000	51,655,000
Series 2006 G Revenue Bonds, due serially to 2031	4.0% – 4.5%	67,915,000	69,250,000
Series 2007 B Revenue Refunding Bonds, due serially to 2034	3.0% – 5.5%	119,500,000	119,500,000
Series 2008 B Revenue Refunding Bonds, due serially to 2027	4.0% – 5.0%	<u>35,205,000</u>	<u>35,205,000</u>
		331,165,000	337,080,000
Less:			
Deferred loss on bond refinancing		(8,702,022)	(9,105,928)
Bond discount		<u>(404,079)</u>	<u>(367,921)</u>
Total bonds payable		<u>\$ 322,058,899</u>	<u>327,606,151</u>

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As collateral for the above debt, the University has pledged all net revenue, fees, charges, and rentals derived from the related auxiliary enterprises. Future annual debt service requirements approximate the following:

	<u>Principal amount</u>	<u>Interest amount</u>	<u>Total amount</u>
Year ending June 30:			
2011	\$ 6,165,000	14,910,000	21,075,000
2012	10,455,000	14,653,000	25,108,000
2013	10,945,000	14,177,000	25,122,000
2014	11,405,000	13,678,000	25,083,000
2015	11,875,000	13,170,450	25,045,450
2016 – 2020	68,985,000	56,645,250	125,630,250
2021 – 2025	87,250,000	38,535,650	125,785,650
2026 – 2030	94,290,000	16,999,994	111,289,994
2031 – 2035	29,795,000	2,998,112	32,793,112

Funds are on deposit with escrow agents to provide for the payment of principal, interest, and call premiums, when due, on Series 2000 B, Series 2001 B, Series 2001 C, Series 2002 K, Series 2003 I, and Series 2004 C Bonds. Accordingly, these bonds are not considered outstanding obligations of the University as of June 30, 2010 and 2009 and, therefore, are not reflected in the accompanying financial statements. The principal amounts of these bonds were approximately \$167,795,000 and \$170,810,000, respectively, as of June 30, 2010 and 2009.

**(9) Other Long-Term Debt**

Other long-term debt consists of the following:

- (A) The University leases a portion of a building in the City of Camden from Camden County College. In addition to the lease commitment, the University borrowed \$700,000 from the County of Camden in order to make a single payment to terminate a preexisting lease for space with another lessor. This loan, which bears interest at 6.23%, is to be repaid over a term of 21 years and 2 months ending November 30, 2012. As of June 30, 2010 and 2009, the outstanding obligations were \$133,105 and \$182,746, respectively.
- (B) The Higher Educational Capital Improvement Fund Act was established to finance capital improvements and related costs at public and private institutions of higher education within the State of New Jersey. Funding was provided from bonds issued by the New Jersey Educational Facilities Authority. The total University allocation for this program was \$23,887,250. The University is required to pay 1/3 of the debt service, including interest at rates ranging from 3.0 – 5.75%, on its allocation of the bond proceeds, plus administrative fees of the trustees and the Authority. The outstanding balances as of June 30, 2010 and 2009 were \$6,406,829 and \$6,704,348, respectively, with maturities through August 15, 2022.

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- (C) On August 14, 2001, the New Jersey Educational Facilities Authority issued bonds to finance the University's loan amount request pursuant to the Dormitory Safety Trust Fund Act (P.L. 2000, C56). The University's loan under this Act was \$1,780,720 and will be repaid in annual installments from January 15, 2002 through January 15, 2016. The outstanding balances as of June 30, 2010 and 2009 were \$756,704 and \$884,488, respectively. This loan was non-interest bearing; however, the University has discounted this obligation at 5% equal to \$540,027. This amount is shown as deferred financing costs in the accompanying financial statements and is being amortized over the life of the loan.
- (D) The Higher Education Equipment Leasing Fund Act was established to provide financing for the acquisition of scientific, technical, computer, communications, and instructional equipment and related costs at public and private institutions of higher education within the State of New Jersey. Funding was provided from bonds issued by the New Jersey Educational Facilities Authority. The University allocation from this Act was \$3,213,000. The University is required to pay 1/4 of the debt service, amounting to \$803,250, including interest, on its allocation of the bond proceeds, plus administrative fees of the trustees and the Authority. The outstanding balances as of June 30, 2010 and 2009 were \$0 and \$146,707. These bonds matured August 1, 2009.

Principal and interest payments for these five obligations approximate the following:

	<u>Principal amount</u>	<u>Interest amount</u>	<u>Total amount</u>
Year ending June 30:			
2011	\$ 493,000	328,000	821,000
2012	514,000	308,000	822,000
2013	500,000	288,000	788,000
2014	494,000	269,000	763,000
2015	508,000	250,000	758,000
2016 – 2020	2,369,000	926,000	3,295,000
2021 – 2024	2,418,000	210,000	2,628,000

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**(10) Noncurrent Liabilities**

Noncurrent liabilities activity for the years ended June 30, 2010 and 2009 was as follows:

<u>2010</u>	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Current portion</u>
Student housing deposits	\$ 825,600	—	728,610	96,990	—
Compensated absences	3,660,114	1,087,821	—	4,747,935	2,162,411
Other liabilities	442,245	—	255,712	186,533	—
Deposits held in custody for others	1,424,162	—	155,023	1,269,139	—
Bonds payable	327,606,151	—	5,547,252	322,058,899	6,165,000
Other long-term debt	7,918,289	—	621,651	7,296,638	493,377
Capital lease obligation	—	45,500,000	2,398,620	43,101,380	(156,258)
Total noncurrent liabilities	<u>\$ 341,876,561</u>	<u>46,587,821</u>	<u>9,706,868</u>	<u>378,757,514</u>	<u>8,664,530</u>
<u>2009</u>	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Current portion</u>
Student housing deposits	\$ 867,300	—	41,700	825,600	—
Compensated absences	3,478,563	181,551	—	3,660,114	1,973,580
Other liabilities	415,913	26,332	—	442,245	—
Deposits held in custody for others	1,409,947	14,215	—	1,424,162	—
Bonds payable	331,783,403	—	4,177,252	327,606,151	5,915,000
Other long-term debt	8,516,660	—	598,371	7,918,289	621,544
Total noncurrent liabilities	<u>\$ 346,471,786</u>	<u>222,098</u>	<u>4,817,323</u>	<u>341,876,561</u>	<u>8,510,124</u>

**(11) Commitments and Contingencies**

***Operating Leases***

The University leases certain space and equipment used in general operations. Rental expense was approximately \$414,000 in 2010 and \$519,000 in 2009. The leases are noncancelable and have been classified as operating leases, which are expected to expire through 2013. Minimum annual rental commitments approximate the following:

	<u>Amount</u>
Year ending June 30:	
2011	\$ 278,000
2012	264,000
2013	110,000

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***Capital Lease Obligation***

On March 6, 2008 the University entered into a lease agreement with SORA Housing LLC (SORA) whereby SORA will construct two four story student housing facilities with a total of 242 units, consisting of 884 total beds, on a leasehold interest in land that was conveyed to SORA by the Borough of Glassboro. SORA agreed to lease the land, the facilities and the facilities equipment together with the fixtures, improvements and equipment to the University. The initial phase of the development of the facilities will consist of the development and construction of 154 units, or 568 beds. The second phase of the development of the facilities will consist of the development and construction of the 88 remaining units, or 316 beds, together with the common areas and laundry facilities. No rent was due by the University to SORA during the initial term of the lease through the completion of phase one. Phase one was completed for the Fall 2009 semester and was considered ready for occupancy. Beginning in fiscal year 2010, the University will pay rent in semi-annual installments on September 1 and February 1 for twenty years. The rental amount will be contingent upon the number of beds available for use at the beginning of each semester. The total amount paid in fiscal year 2010 under this lease agreement is \$4,316,800. The second phase is expected to be completed and ready for occupancy for the Fall 2010 semester. At the completion of the lease agreement, the University will have two five year options to renew the lease term. The University has recorded a capital lease asset, net of accumulated depreciation, in the amount of \$43,604,167 and a capital lease payable in the amount of \$43,101,380, in the accompanying statements of net assets, for the Phase one portion of the project.

Future minimum lease payments under the capital lease are as follows:

	<u>Principal amount</u>	<u>Interest amount</u>	<u>Total amount</u>
Year ending June 30:			
2011	\$ (156,258)	4,598,018	4,441,760
2012	(68,782)	4,612,782	4,544,000
2013	63,060	4,617,260	4,680,320
2014	213,448	4,607,282	4,820,730
2015	384,527	4,580,824	4,965,351
2016 – 2020	5,395,491	21,757,086	27,152,577
2021 – 2025	14,510,290	16,966,988	31,477,278
2026 – 2030	22,759,604	5,995,333	28,754,937
	<u>\$ 43,101,380</u>	<u>67,735,573</u>	<u>110,836,953</u>

***Compensated Absences***

The University recorded a liability for accumulated vacation time in the amount of approximately \$2,162,000 and \$1,974,000 as of June 30, 2010 and 2009, respectively, which is included in compensated absences in the accompanying statements of net assets. The liability is calculated based upon employees' accrued vacation leave as of the statements of net assets date.

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Payments for accumulated sick leave balances are made to retiring employees upon regular retirement. The payment is based on 50% of the employee's sick leave accumulation, at the pay rate in effect at the time of retirement up to a maximum of \$15,000. Employees separating from University service prior to retirement are not entitled to payments for accumulated sick leave balances. Accordingly, the University recorded a liability for accumulated sick leave balances in the amount of approximately \$1,659,000 and \$1,687,000 as of June 30, 2010 and 2009, respectively, which is included in compensated absences in the accompanying statements of net assets.

During FY10, bargaining unit employees were required to take seven unpaid furlough days. Three of these days were banked for either future use or pay out upon separation. A liability for the accumulated leave bank in the amount of approximately \$926,000 is recorded in compensated absences in the accompanying statements of net assets.

***Unrestricted Net Assets***

Net assets are required to be classified for accounting and reporting purposes into one of four net asset categories according to externally imposed restrictions. Unrestricted net assets, as defined by GASB Statement No. 35, are not subject to externally imposed stipulations. They may, however, be subject to internal designations for specific purposes by action of the University management or the University Board of Trustees. Listed below is a detail of unrestricted net assets as of June 30, 2010 and 2009:

	<b>2010</b>	<b>2009</b>
Designated:		
University operating reserve	\$ 5,945,969	5,886,500
Self-supporting programs	4,660,396	4,582,082
Capital reserve for academic buildings	198,587	3,804,886
Capital reserve for auxiliary enterprises	11,487,451	11,681,654
Reserve for medical school	20,000,000	—
Reserve for debt service	22,178,492	26,783,489
Total unrestricted net assets	\$ 64,470,895	52,738,611

***Other Contingencies***

The University is involved in several claims and lawsuits incidental to its operations. In the opinion of management, the ultimate resolution of these matters will not have a material adverse effect on the financial position of the University.

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**(12) Rowan University Foundation**

***Component Unit***

Rowan University Foundation (the Foundation) is a legally separate, tax-exempt component unit of the University with a fiscal year-end of June 30. The Foundation has received a determination letter from the Internal Revenue Service concluding that it is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation acts primarily as a fund-raising entity to supplement the resources that are available to the University in support of its programs. Although the University does not control the timing or amount of receipts from the Foundation, the Foundation's assets are used exclusively for the benefit, support, and promotion of the University and its educational activities. Because these resources held by the Foundation can only be used by, or are for the benefit of the University, the Foundation is considered a component unit of the University and is discretely presented as part of the University's financial statements in accordance with GASB Statement No. 39.

During the years ended June 30, 2010 and 2009, the University received \$7,956,848 and \$8,177,980, respectively, from the Foundation. Complete financial statements of the Foundation can be obtained from the Office of the Chief Financial Officer, Rowan University, Glassboro, New Jersey.

***Cash, Cash Equivalents, Endowment Investments, and Investments***

Cash, cash equivalents, endowment investments, and investments of the Foundation are carried in the financial statements at fair value, based on quoted market values and consist of the following as of June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Cash and cash equivalents	\$ 5,215,876	3,409,598
Investments:		
Bond mutual funds (domestic)	\$ 18,139,114	18,151,147
Common stock mutual funds (domestic)	39,289,364	39,417,214
Common stock mutual funds (international)	26,740,376	25,133,766
Realty investments	4,428,045	6,297,428
Alternative investments	35,788,189	31,045,239
	<u>\$ 124,385,088</u>	<u>120,044,794</u>

For the years ended June 30, 2010 and 2009 the net unrealized gain (loss) on investments was \$12,808,735 and \$33,697,655, respectively. The net realized (loss) gain on investments for June 30, 2010 and 2009 was \$1,996,220 and \$567,464, respectively.

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

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

The Foundation has an investment policy, which establishes guidelines for permissible investments. The Foundation may invest in domestic equity securities, international equity securities, fixed income securities, real estate investments, and venture capital investments. The Foundation's investments are subject to various risks. Among these risks are credit risk and interest rate risk. Each one of these risks are discussed below.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The credit risk of a debt instrument is measured by nationally recognized statistical rating agencies such as Standard and Poors. The Foundation's investment policy requires fixed income securities to replicate the Barclays Capital Aggregate (formerly Lehman Brothers Aggregate Index) characteristics with regard to maturity, structure, duration, credit quality, sector distribution, etc.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Foundation's investment policy does not specifically address limitations in the maturities of investments.

**(13) South Jersey Technology Park at Rowan University, Inc.**

***Component Unit***

South Jersey Technology Park at Rowan University, Inc. (SJTP) was established and is being maintained as part of the educational mission of the University, its initial sole member. SJTP hopes to create jobs and job training and provide new and varied "hands-on" educational experiences for the University students as well as combat community deterioration. The goal of SJTP is to create job opportunities and job training for the under-employed and unemployed of the South Jersey region. SJTP is an organization described under Section 501(c)(3) of the Internal Revenue Code and therefore exempt from Federal income taxes under Section 501(a) of the Code. SJTP's assets are used exclusively for the benefit, support, and promotion of the University and its educational activities. Because these resources held by SJTP can only be used by, or are for the benefit of the University, SJTP is considered a component unit of the University and is discretely presented as part of the University's financial statements in accordance with GASB Statement No. 39.

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Notes to Financial Statements

June 30, 2010 and 2009

In fiscal year 2008, the University board of trustees approved a long-term lease agreement for the SJTP to use a parcel of land owned by the University. The lease commenced on January 1, 2008. During fiscal year 2007, the University loaned the SJTP \$1,000,000 to provide cash flow during the construction of the Samuel H. Jones Innovation Center. The SJTP used these funds to pay construction related costs which would later be reimbursed to the SJTP from other funding sources. During fiscal years 2009 and 2010, the SJTP made interest only payments on this loan at the rate of five percent annually. Interest only payments on this loan will continue until the SJTP obtains permanent financing. During fiscal year 2010, the University Board of Trustees approved a bridge loan to SJTP in the amount of \$5,000,000. In December 2009, the loan proceeds were used to refinance the \$5,000,000 debt payable to The Bank from SJTP. SJTP made interest only payments on this loan in fiscal year 2010. Interest only payments will continue on this loan at the rate of four percent annually until permanent financing is obtained. It is anticipated that the SJTP will refinance the \$6,000,000 loan from the University through the receipt of monies received from a private placement bond issued by the Gloucester County Improvement Authority (GCIA) and purchased by TD Bank. The private placement bond is expected to close in October 2010. Additionally, the University board of trustees approved a lease agreement by and between the University and SJTP for the first floor of the Samuel H. Jones Innovation Center to support its educational mission. For the years ended June 30, 2010 and 2009, SJTP realized \$458,850 and \$461,785, respectively, in rental income related to this lease agreement.

**(14) Subsequent Event**

On June 25, 2009, Governor Corzine signed Reorganization Plan No. 002-2009 which, among other things, provides for the transfer of specific functions and resources now used by the Robert Wood Johnson Medical School of the University of Medicine and Dentistry (UMDNJ) located in Camden, NJ to Rowan University (University) by: (i) phasing out Robert Wood Johnson Medical School as part of UMDNJ's larger medical school system; (ii) authorizing and approving the establishment of a Medical School to replace Robert Wood Johnson Medical School as the primary medical school in southern New Jersey; and (iii) reallocating, subject to annual appropriation, certain funds appropriated by the State Legislature from UMDNJ to the University for the purpose of supporting the initial establishment of the Medical School and the ongoing training of medical professionals in southern New Jersey.

Rowan University and Cooper Health System (Cooper) have agreed to cooperate and affiliate in the establishment of this new four-year allopathic medical school to be located in the City of Camden that will combine the resources of Cooper and the University to be known as "Cooper Medical School of Rowan University" for purposes of providing a state-of-the-art medical school conferring graduate degrees in medical sciences. It is expected that the first class of graduate students will begin a course of instruction at the new Medical School by the summer of 2012.

During fiscal year 2010, the University received \$15,600,000 in appropriations from the State of New Jersey which represented fiscal year 2009 and 2010 appropriations and are restricted for use in the payment of debt service for the new Medical School.

The University is anticipating the issuance, in the fall of 2010, of \$130,000,000 in one or more series of tax-exempt or taxable bonds thru the Camden County Improvement Authority for the purpose of financing the costs of building the Medical School.

**ROWAN UNIVERSITY**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

<b>Federal grantor/pass-through grantor/program or cluster title</b>	<b>Federal CFDA/grant number</b>	<b>Current year expenditures</b>
Research and Development Cluster:		
U.S. Department of Health and Human Services:		
National Institute of Health:		
CRAFT Methadone Group	93.279	\$ 31,200
National Science Foundation:		
CAREER: An Ensemble of Classifiers Based Approach for Incremental Learning	47.041	70,720
Hands on an Aquarium	47.076	60,759
Rutgers ERC Education and Outreach Efforts	47.041	92,332
Passed through Children's Hospital of Philadelphia:		
Passive Range of Motion of Adult & Child Cervical Spines	47.041	166
Biomechanics Research Collaboration	47.041	573
RUI: Infrared Spectroscopy and Characterization of Comets	47.049	4,279
RUI: Characterization and Control of Electron Dynamics in an Ultra Cold Plasma	47.049	26,173
Passed through Drexel University:		
FRG:M_n+1AXn Phase Solid Solutions: Unique Opportunities at Engineering Bulk and Surface Properties	47.049	69,357
Passed through Columbia University:		
Nanoscience & Engineering Center: Columbia Center of Electronic Transport in Molecular Nanostructures	47.049	25,616
RUI: Genetic Investigation of Bacterial Lead Phosphate Precipitation	47.074	3,535
RUI: Mob Violence Against Mexicans in the United States 1848-1928	47.075	2,323
Collaborative Research: Team Play! Integrating Sports in the Engineering Curriculum	47.076	6,709
A Collaborative Proposal to Integrate System-on-Chip Concepts into Two Year Engineering Science and Four Year Electrical & Computer Engineering Curricula	47.076	24,268
Illustrating Bioseparations Using Colorful Proteins	47.076	45,666
US-France Planning Visit: Study of Granular Material Crushing through Imaging and Discrete Element Modeling Simulation	47.079	5,778
Materials World Network: Study of lattice dynamics and phonon, magnon, and electromagnon interactions in rare earth maganite multiferroics	47.049	24,031
Empowering Students with engineering literacy and systematic problem solving through interactive and cost-effective games, Recovery Act	47.082	21,587
Incremental Learning from unbalanced data in nonstationary environments, Recovery Act	47.082	12,813
MRI-R2: Acquisition of an X-ray Computed tomography System with Loading Capabilities, Recovery Act	47.082	259,275
NIRT/SNG: Combined Optical, Electrical, Mechanical, & Thermal Characterization of Individual Nanotubes	47.049	25,438
Scholarships to Enhance the High Tech Workforce of Southern New Jersey Enhanced Combustion	47.076	76,791
Magneto-Mechanical Coupling in Isotropic vs. Anisotropic, hard vs. Soft-Magnetic Magnetorheological Elastomers	47.041	30,897
The Physics of Coupled Atomic Molecular Condensate Systems	47.049	35,679
National Aeronautics and Space Administration:		
Southern New Jersey Satellite Campus Pilot Program	43.001	16,953
Virtual Reality (VR) Visualization for an Integrated Systems Health Management	43.001	14,453

**ROWAN UNIVERSITY**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

<b>Federal grantor/pass-through grantor/program or cluster title</b>	<b>Federal CFDA/grant number</b>	<b>Current year expenditures</b>
Graduate Research - Russell	43.001	\$ 26,507
Graduate Research Program	43.001	9,275
Intelligent Valves for Integrated Systems Health Management (ISHM)	43.001	31,289
Federal Emergency Management Agency: Passed through the New Jersey Department of Environmental Protection: National Dam Safety Program Grant	97.041	32,138
U.S. Environmental Protection Agency: Green Engineering – Pharmaceutical Development	66.606	18,044
Advancing Pollution Prevention in Pharmaceutical Manufacturing Passed through Camden Soil Conservation District: Upper Mantua Creek – RSMP	66.606	11,184
U.S. Department of Transportation: Federal Aviation Administration: Investigation of the Performance of Flexible Pavement Systems Under Moving Loads Using Finite Element Analysis	20.108	94,156
Rigid Pavement Grant	20.108	37,555
Total Research and Development Cluster		<u>1,292,661</u>
Student Financial Assistance Cluster: U.S. Department of Education: Federal Direct Loan Program:		
Parent Loans	84.268	13,532,236
Graduate Loans	84.268	196,243
Subsidized Loans	84.268	23,305,403
Unsubsidized Loans	84.268	26,984,424
Total Federal Direct Loan Program		<u>64,018,306</u>
Federal Supplemental Educational Opportunity Grant	84.007	491,421
Federal Work Study	84.033	816,102
Federal Work Study, Recovery Act	84.033	131,781
National Science and Mathematics Access to Retain Talent Grant	84.376	219,095
Academic Competitiveness Grant	84.375	185,214
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379	98,000
Federal Pell Grant Program	84.063	10,683,416
Total Student Financial Assistance Cluster		<u>76,643,335</u>
U.S. Department of Education - Other programs: Upward Bound Program	84.047A	274,714
State Fiscal Stabilization Fund Cluster: Passed through New Jersey Higher Education Student Assistance Authority:		
State Fiscal Stabilization Fund-Education State Grants, Recovery Act	84.394	1,808,000
State Fiscal Stabilization Fund-Government Services, Recovery Act	84.397	205,412
Passed through New Jersey Department of Education: State Fiscal Stabilization Fund-Education State Grants, Recovery Act	84.394	2,238,772
Total State Fiscal Stabilization Fund Cluster		<u>4,252,184</u>

**ROWAN UNIVERSITY**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

<u>Federal grantor/pass-through grantor/program or cluster title</u>	<u>Federal CFDA/grant number</u>	<u>Current year expenditures</u>
Consortium to Prevent Alcohol	84.184Z	\$ 2,575
Passed through New Jersey Department of Education:		
Math and Science Partnership Program	84.366B	466,556
The Social Norms Project	84.186	194,530
Improving Teacher Quality State Grants:		
Improving Partnerships	84.367B	195,084
Passed through New Jersey Department of Education:		
Improving Teacher Quality Partnership Program	84.367B	44,280
Total Improving Teacher Quality State Grants		<u>239,364</u>
Teacher Quality Partnership Grants:		
Garden State Partnership	84.336S	100,488
Passed through Kean University:		
NJ Consortium for Middle School Teacher Preparation (Title II)	84.336B	170,827
Total Teacher Quality Partnership Grants		<u>271,315</u>
Passed through New Jersey Commission on Higher Education:		
C.H.A.M.P. / GEAR-UP Program at Rowan University	84.334	458,619
Total U.S. Department of Education - Other programs		<u>6,159,857</u>
Total U.S. Department of Education		<u>82,803,192</u>
U.S. Department of Agriculture:		
Passed through New Jersey Department of Education:		
New Jersey Department of Education Dual Enrollment	10.217	19,525
Total U.S. Department of Agriculture		<u>19,525</u>
U.S. Small Business Administration:		
To fit out the biotechnology incubator laboratory modules within the		
South Jersey Technology Park Innovation Center	59.000	350,000
Total U.S. Small Business Administration		<u>350,000</u>
Department of Treasury - Internal Revenue Service:		
United Way of South Jersey	21.003	354
Total Department of Treasury - Internal Revenue Service		<u>354</u>
U.S. Department of Justice:		
Passed through New Jersey Division of Law and Public Safety:		
ABC - Enforcing the Underage Drinking Laws Program	16.727	46,091
Total U.S. Department of Justice		<u>46,091</u>
Total expenditures of Federal awards		<u>\$ 84,511,823</u>

See accompanying notes to schedules of expenditures of Federal and State of New Jersey awards.

**ROWAN UNIVERSITY**

Schedule of Expenditures of State of New Jersey Awards

Year ended June 30, 2010

State of New Jersey grantor/pass-through grantor/program or cluster title	Grant/account number	Grant amount	Grant period	Current year expenditures
Research and Development Cluster:				
New Jersey Department of Transportation:				
Development of a Pavement Catalog for the State of New Jersey				
Using the Mechanistic-Empirical Pavement Design	Task Order 11	\$ 162,540	09/05/06 - 12/31/10	\$ 22,243
Motorcycle Fatality Rates	Task Order 14	199,562	01/01/08 - 12/31/09	29,593
Heavy Metal Contamination	Task Order 13	339,934	01/01/08 - 12/31/10	142,363
Reclaimed Asphalt Hot Mix	Task Order 16	272,453	01/01/09 - 06/30/11	131,021
Teen Safety Metrics	Task Order 17	279,125	01/01/09 - 12/31/10	88,404
Polymer Modification Binder	Task Order 18	245,288	07/01/09 - 12/31/10	58,759
NJ DOT - Recycled Concrete	Task Order RF-75144-05-20	233,637	06/01/09 - 08/31/11	54,671
Passed through Rutgers University:				
Warm Asphalt Mix	Task Order 218	47,778	07/02/08 - 12/31/09	28,680
High Reclaimed Asphalt Pavement Technology Transfer Workshop	DTRT07-G-0002	4,951	02/01/10 - 08/31/10	3,888
Total Research and Development Cluster				559,622
Student Financial Assistance Cluster:				
New Jersey Commission on Higher Education:				
Educational Opportunity Fund Summer (Main Campus)	2401-100-2401-002	376,147	06/1/09 - 06/30/10	374,420
Educational Opportunity Fund Summer (Main Campus)	2401-100-2401-002	350,890	06/1/10 - 06/30/11	101
Educational Opportunity Fund Summer (Camden Campus)	2401-100-2401-002	130,190	06/1/09 - 06/30/10	125,090
Educational Opportunity Fund Summer (Camden Campus)	2401-100-2401-002	115,771	06/1/10 - 07/31/11	6,243
Educational Opportunity Fund	2401-100-074-001	602,398	07/1/09 - 06/30/10	602,398
GEAR-UP	0001055904	85,600	07/1/09 - 06/30/10	85,600
Higher Education Student Assistance Authority:				
Tuition Aid Grant Program	2405-100-074-2405-007	11,558,481	07/1/09 - 06/30/10	9,110,276
Edward J. Bloustein Distinguished Scholars Program	2405-100-074-DS10-278	189,720	07/1/09 - 06/30/10	189,720
Urban Scholars Program	2405-100-074-US11-278	96,255	07/1/09 - 06/30/10	96,255
New Jersey College Loans to Assist State Students	CLESTR05	10,225,678	07/1/09 - 06/30/10	10,225,678
New Jersey Student Tuition Assistance Reward Scholarship Program	2405-100-074-2405-313	1,352,126	07/1/06 - 06/30/10	1,352,126
Total Student Financial Assistance Cluster				22,167,907
New Jersey Department of Military & Veteran Affairs:				
Rowan University G.I.S. Intern	3620-100-067-3620-129-P902-3620	125,000	05/15/10 - 12/31/11	2,720
NJ Department of Military & Veteran Affairs - N.J. Army National Guard	Row 1	60,000	06/01/09 - 12/31/09	41,724
Total New Jersey Department of Military & Veteran Affairs				44,444

**ROWAN UNIVERSITY**

Schedule of Expenditures of State of New Jersey Awards

Year ended June 30, 2010

State of New Jersey grantor/pass-through grantor/program or cluster title	Grant/account number	Grant amount	Grant period	Current year expenditures
New Jersey Commission on Higher Education:				
C.H.A.M.P. / GEAR-UP Program at Rowan University	09YR2-800930-0062	\$ 395,000	07/01/08 - 06/30/09	\$ 48,180
C.H.A.M.P. / GEAR-UP Program at Rowan University	10YR3-800930-0062	395,000	07/01/09 - 06/30/10	395,000
Total C.H.A.M.P. / GEAR-UP Program at Rowan University				<u>443,180</u>
Educational Opportunity Fund – Article IV:				
Academic Year – Camden Campus	2401-100-2401-002	179,363	07/01/09 - 06/30/10	170,452
Academic – Main Campus	2401-100-2401-002	264,022	07/01/09 - 06/30/10	223,409
Total Educational Opportunity Fund – Article IV				<u>393,861</u>
Language Lab ESL Instruction	09YR2-801250-0110	84,364	07/01/08 - 09/25/09	8,737
Total New Jersey Commission on Higher Education				<u>845,778</u>
New Jersey Department of Education:				
Professional Learning Commission School Leaders	MOU	115,758	07/18/08 - 08/15/09	53,088
Total New Jersey Department of Education				<u>53,088</u>
New Jersey Board of Public Utilities:				
Wind & Energy Education	BP4-069G	60,000	09/01/08 - 09/29/09	17,150
Total New Jersey Board of Public Utilities				<u>17,150</u>
New Jersey Department of State:				
State of New Jersey Appropriation	—	31,702,000	07/01/09 - 06/30/10	31,702,000
Total New Jersey Department of State				<u>31,702,000</u>
New Jersey Commission on Science & Technology:				
High Technology Incubator Program	08-2042-014-43	130,000	01/15/09 - 09/30/10	34,212
2009 Incubator Enhancement Program	09-2042-020-99	30,000	01/01/09 - 12/31/09	6,024
Total New Jersey Commission on Science & Technology				<u>40,236</u>
New Jersey Department of Law and Public Safety:				
The Yield to Every Pedestrian Program	20.609 Sect 406	25,400	10/01/09 - 09/30/10	9,282

**ROWAN UNIVERSITY**

Schedule of Expenditures of State of New Jersey Awards  
Year ended June 30, 2010

<u>State of New Jersey grantor/pass-through grantor/program or cluster title</u>	<u>Grant/account number</u>	<u>Grant amount</u>	<u>Grant period</u>	<u>Current year expenditures</u>
CC Soil Conservation District: Upper Mantua Creek Implementation	RP09-059	\$ 228,113	07/01/09 - 01/31/12	\$ 27,590
Total New Jersey Department of Law and Public Safety				<u>36,872</u>
Interdepartmental Accounts:				
State Fringe Benefits Other Than FICA	—	21,407,373	07/01/09 - 06/30/10	21,407,373
FICA – State Colleges and Universities Reimbursement Program	—	6,728,904	07/01/09 - 06/30/10	<u>6,728,904</u>
Total Interdepartmental Accounts				<u>28,136,277</u>
Total expenditures of State of New Jersey awards				\$ <u><u>83,603,374</u></u>

See accompanying notes to schedules of expenditures of Federal and State of New Jersey awards.

**ROWAN UNIVERSITY**

(A Component Unit of the State of New Jersey)

Notes to Schedules of Expenditures of Federal and  
State of New Jersey Awards

Year ended June 30, 2010

**(1) Basis of Presentation**

The accompanying schedules of expenditures of Federal and State of New Jersey awards include the Federal and State of New Jersey grant activity of Rowan University (the University) and are presented on the accrual basis of accounting. The information in these schedules is presented in accordance with the requirements of U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey Office of Management and Budget Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the 2010 basic financial statements. The University has included expenditures on prior year grant awards where extensions have been granted from funding agencies or amounts were approved for outstanding purchase orders.

**(2) Federal Perkins Loan Program**

The University administers and accounts for certain aspects of the Federal Perkins Loan program (CFDA 84.038). The University's basic financial statements include the program's net assets and transactions. The balance of loans outstanding under these programs as of June 30, 2010 was \$555,481.

**(3) Other Loan Programs**

The University is responsible only for the performance of certain administrative duties with respect to the Federal Direct Loan Program and New Jersey College Loans to Assist State Students program and, accordingly, these loans are not included in the University's basic financial statements. It is not practical to determine the balance of loans outstanding to students of the University under these programs as of June 30, 2010.

**(4) Subrecipients**

Of the Federal expenditures presented in the schedule of expenditures of Federal awards, the University provided \$20,229 and \$20,389 in Federal awards under CFDA 47.082 and CFDA 47.076, respectively, to subrecipients during the year ended June 30, 2010.



KPMG LLP  
Suite 402  
301 Carnegie Center  
Princeton, NJ 08540-6227

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

The Board of Trustees  
Rowan University:

We have audited the financial statements of the business-type activities and the discretely presented component units of Rowan University (the University), a component unit of the State of New Jersey, as of and for the year ended June 30, 2010, which collectively comprise the University's basic financial statements, and have issued our report thereon dated October 26, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of Rowan University Foundation and South Jersey Technology Park at Rowan University, Inc., component units of Rowan University, were not audited in accordance with *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

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

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

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



### **Compliance and Other Matters**

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

This report is intended solely for the information and use of management, board of trustees, others within the entity, and Federal and State of New Jersey awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

**KPMG LLP**

October 26, 2010



KPMG LLP  
Suite 402  
301 Carnegie Center  
Princeton, NJ 08540-6227

**Independent Auditors' Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with Federal OMB Circular A-133 and New Jersey OMB Circular 04-04**

The Board of Trustees  
Rowan University:

**Compliance**

We have audited Rowan University's (the University) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (Federal OMB) *Circular A-133 Compliance Supplement* and the New Jersey Office of Management and Budget (New Jersey OMB) *State Grant Compliance Supplement* (the Compliance Supplements) that could have a direct and material effect on each of Rowan University's major Federal and State of New Jersey programs for the year ended June 30, 2010, except the requirements discussed in the second paragraph of this report. The University's major Federal and State of New Jersey programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal and State of New Jersey programs is the responsibility of the University's management. Our responsibility is to express an opinion on the University's compliance based on our audit.

We did not audit the University's compliance with the requirements governing maintaining contact with borrowers and billing and collection procedures in accordance with the requirements of the Student Financial Assistance Cluster: Federal Perkins Loan program as described in the Federal OMB Compliance Supplement. Those requirements govern functions performed by Educational Loan Servicing, LLC (ELS). Since we did not apply auditing procedures to satisfy ourselves as to compliance with those requirements, the scope of work was not sufficient to enable us to express, and we do not express, an opinion on compliance with those requirements. ELS' compliance with the requirements governing the functions that it performs for the University for the year ended June 30, 2010 was examined by other accountants in accordance with the U.S. Department of Education's Audit Guide, *Audits of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers*. Our report does not include the results of the other accountants' examination of ELS' compliance with such requirements.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; Federal OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and New Jersey OMB Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, Federal OMB Circular A-133 and New Jersey OMB Circular 04-04 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements described in the Compliance Supplements that could have a direct and material effect on a major Federal or State of New Jersey program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the University's compliance with those requirements.



In our opinion, Rowan University complied, in all material respects, with the compliance requirements referred to in the first paragraph above that could have a direct and material effect on each of its major Federal and State of New Jersey programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with Federal OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 10-1.

### **Internal Control Over Compliance**

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal and State of New Jersey programs. In planning and performing our audit, we considered the University's internal control over compliance with the requirements that could have a direct and material effect on a major Federal or State of New Jersey program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with Federal OMB Circular A-133 and New Jersey OMB Circular 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

Requirements governing maintaining contact with borrowers and billing and collection procedures in the Student Financial Assistance Cluster: Federal Perkins Loan program as described in the Federal OMB Compliance Supplement are performed by ELS. Internal control over compliance related to such functions for the year ended June 30, 2010 was reported on by other accountants in accordance with the U.S. Department of Education's Audit Guide, *Audits of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers*. Our report does not include the results of the other accountants' testing of ELS' internal control over compliance related to such functions.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item 10-1. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal or State of New Jersey program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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



This report is intended solely for the information and use of management, board of trustees, others within the entity, Federal or State of New Jersey awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

March 17, 2011

**ROWAN UNIVERSITY**  
(A Component Unit of the State of New Jersey)

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

**(1) Summary of Auditors' Results:**

- (a) Unqualified opinions were issued on the financial statements of the business-type activities and the discretely presented component units of Rowan University (the University), a component unit of the State of New Jersey, as of and for the year ended June 30, 2010, which collectively comprise the University's basic financial statements.
- (b) Significant deficiencies in internal control disclosed by the audit of the financial statements of the University as of and for the year ended June 30, 2010: **none reported** Material weaknesses: **no**
- (c) The audit disclosed no instances of noncompliance considered to be material to the financial statements of the University as of and for the year ended June 30, 2010.
- (d) Significant deficiencies in internal control over the major Federal or State of New Jersey programs of the University for the year ended June 30, 2010: **10-1** Material weaknesses: **no**
- (e) An unqualified opinion was issued on the University's compliance with its major Federal and State of New Jersey programs for the year ended June 30, 2010.
- (f) There was one audit finding (10-1) which is required to be reported under Section 510(a) of Federal OMB Circular A-133 and no audit findings which are required to be reported under New Jersey OMB Circular 04-04 for the year ended June 30, 2010.
- (g) The major Federal and State of New Jersey programs of the University for the year ended June 30, 2010 were as follows:

**Federal:**

- Student Financial Assistance Cluster (various CFDA numbers)
- Congressional Mandated Award (CFDA 59.000)
- State Fiscal Stabilization Fund - Education State Grants, Recovery Act/State Fiscal Stabilization Fund - Government Services, Recovery Act (CFDA 84.394 and 84.397)
- Research and Development Cluster (various CFDA numbers)

**State of New Jersey:**

- Student Financial Assistance Cluster
  - State of New Jersey Appropriation
- (h) The dollar threshold used to distinguish between type A and type B programs was \$300,000 for Federal awards and \$1,557,041 for State of New Jersey awards for the year ended June 30, 2010.
  - (i) The University qualified as a low risk auditee for Federal and State of New Jersey awards for the year ended June 30, 2010.

**ROWAN UNIVERSITY**  
(A Component Unit of the State of New Jersey)  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2010

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

No findings required to be reported.

(3) **Findings and Questioned Costs Relating to Federal or State of New Jersey Awards:**

**Federal Awards:**

***10-1 – Performance Reporting***

*U.S. Small Business Administration:  
Congressional Mandated Award, CFDA 59.000,  
Grant Agreement Nos. SBAHQ-08-I-0190  
September 30, 2008 to September 29, 2010*

**Criteria**

Per the grant agreement with U.S Small Business Administration (SBA), the University is required to submit Performance Progress Reports (SF-PPR) to SBA quarterly. Reports for the first three quarters of each budget period are due 30 days after each quarter. For the fourth quarter, the SF-PPR is due 90 days after the quarter ends.

**Condition**

The University was required to prepare and submit a grant performance progress report (SF-PPR) for the Congressional Mandated Awards received from the U.S. Small Business Administration no later than thirty calendar days after the end of each quarter. The University did not submit the required reports within the required timeframe.

**Cause and Effect**

Due to turnover in the grant project director's position and the transition to the new grant project director, the reports were not submitted within the required timeframe.

**Questioned Costs**

There are no questioned costs as this finding does not relate to financial information.

**ROWAN UNIVERSITY**  
(A Component Unit of the State of New Jersey)  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2010

**Recommendation**

We recommend that the University ensure that all grant performance reports are accurately prepared and submitted on a timely basis.

**View of Responsible Official**

The University will monitor future transitions of new grant project directors and take the necessary steps to ensure that any new director is aware of all the filing requirements of the grant.

**State of New Jersey Awards:**

No findings or questioned costs required to be reported.



## **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

### **09-1 – Performance Reporting**

#### **U.S. Small Business Administration:**

**Congressional Mandated Award, CFDA #59.000,**

**Grant Agreement Nos. SBAHQ-06-I-0011 and SBAHQ-05-I-0063**

**September 30, 2006 to September 29, 2008 and September 30, 2005 to October 31, 2008**

Corrective Action Plan: The University will submit a final grant performance report for each of the two Congressional Mandated Awards received from the U.S. Small Business Administration.

Current Year Status: The University implemented the corrective action during the year ended June 30, 2010 by submitting the final grant performance reports. The University, however, filed the quarterly performance reports for the current year grant late due to the grant project director change that occurred during the current grant award period. See 2010 Corrective Action Plan for Finding 10-1.

#### **Accounting Services**

Bole Hall  
201 Mullica Hill Road  
Glassboro, NJ 08028-1701

856-256-4112  
856-256-5612 fax



## **CORRECTIVE ACTION PLAN**

### **10-1 – Performance Reporting**

**U.S. Small Business Administration:  
Congressional Mandated Award, CFDA #59.000,  
Grant Agreement No. SBAHQ-08-I-0190  
September 30, 2008 to September 29, 2010**

The University has submitted all the required grant performance reports to the U.S. Small Business Administration. The reports have been accepted by the U.S. Small Business Administration and the final reimbursement payment to the University has been made.

The University will monitor future transitions of new grant project directors and take the necessary steps to ensure that any new director is aware of all the filing requirements of the grant.

Contact: Peggy Schoen, Director of Sponsored Programs  
Phone: (856) 256-4058