



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, 2012

(With Independent Auditors' Reports Thereon)

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

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Independent Auditors' Report on Basic Financial Statements

The Board of Trustees
Rowan University:

We have audited the accompanying financial statements of the business-type activities and the aggregate 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, 2012 and 2011, 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 aggregate discretely presented component units of Rowan University as of June 30, 2012 and 2011, 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 25, 2012 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 audit.



U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3 through 14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

KPMG LLP

October 25, 2012

ROWAN UNIVERSITY
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Management's Discussion and Analysis

June 30, 2012 and 2011

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, 2012 and 2011, and comparative amounts for the year ended June 30, 2010. 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 12,000 students an outstanding education at an exceptional value.

The University offers 57 undergraduate majors, including four undergraduate degree-completion programs, three dual bachelor's/master's degrees, more than 31 master's-level programs, 27 graduate-level certificate programs, three post-master's, three professional post-master's, two doctoral programs, including the M.D. degree from its medical school. Students can pursue their degrees at the main campus, its Camden campus, online or at several community colleges as well as the Cooper Medical School of Rowan University.

Rowan has been recognized by national organizations that evaluate colleges and universities. *U.S. News & World Report* ranked Rowan 19th among Best Regional Universities — North, third among the public institutions in the category. The Princeton Review named Rowan among 222 institutions in its "Best in the Northeast" section of its website feature "2013 Best Colleges: Region by Region" and included the Rohrer College of Business in its edition of the "Best 296 Business Schools." The Princeton Review also listed Rowan, which in the past has been recognized by the U.S. EPA as a "Top Green Power Purchaser" in its athletic conference, in its "Guide to 322 Green Colleges: 2012 Edition." The University has earned about a dozen 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 basic financial statements include three 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.

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Management's Discussion and Analysis

June 30, 2012 and 2011

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 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, 2012, 2011, and 2010 follows:

| | <u>2012</u> | <u>2011</u> | <u>2010</u> |
|---|-------------------|----------------|----------------|
| | (In thousands) | | |
| Current assets | \$ 177,922 | 148,945 | 115,458 |
| Capital assets | 558,987 | 478,254 | 427,949 |
| Other noncurrent assets | 33,850 | 104,208 | 39,255 |
| Total assets | <u>\$ 770,759</u> | <u>731,407</u> | <u>582,662</u> |
| Current liabilities | \$ 53,145 | 50,752 | 39,827 |
| Noncurrent liabilities | 518,297 | 499,257 | 370,093 |
| Total liabilities | <u>\$ 571,442</u> | <u>550,009</u> | <u>409,920</u> |
| Net assets: | | | |
| Invested in capital assets, net of related debt | \$ 68,557 | 67,025 | 71,335 |
| Restricted expendable for: | | | |
| Renewal and replacement | — | 650 | 650 |
| Debt service | 13,365 | 15,020 | 6,165 |
| Debt service reserve | 9,131 | 9,352 | 14,521 |
| Medical School | 15,600 | 15,609 | 15,600 |
| Unrestricted | 92,664 | 73,742 | 64,471 |
| Total net assets | <u>\$ 199,317</u> | <u>181,398</u> | <u>172,742</u> |

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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 current 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, deferred revenue and the current portion of bonds payable, other long-term debt and capital lease obligations. Noncurrent liabilities consist primarily of compensated absences, deposits held in custody for others, bonds payable, other long-term debt, and capital lease obligations.

Fiscal Year 2012 Compared to 2011

The University's Statement of Net Assets at June 30, 2012 reflects an increase in total assets of \$39.4 million. Current assets increased \$29.0 million from \$148.9 million at June 30, 2011 to \$177.9 million at June 30, 2012. This increase is primarily a result of increases in cash and cash equivalents of \$24.4 million as well as an increase in grant receivables of \$4.1 million. Major components of the cash increase include an \$8.2 million developer contribution from the refinancing of capital leases, receipts of payments of \$3.8 million for capital grants, an increase in cash generated by our self-funded programs and auxiliary enterprises of \$3.1 million, an additional \$1.3 million in the State appropriation as well as positive cash flow from other University general operations.

Capital assets and other noncurrent assets increased \$10.4 million in the year ended June 30, 2012. The primary cause for this was an increase of \$80.7 million in net capital assets mainly due to the recording of capital leases and construction in progress less a decrease of \$70.0 million in deposits held by bond trustees as funds were released to fund construction.

Total net assets increased by \$17.9 million at June 30, 2012 compared to June 30, 2011. Unrestricted net assets increased \$18.9 million. Several factors contributed to the increase, including but not limited to: an additional appropriation from the State; higher tuition and fee and room and board revenues; lower than projected salary expenditures due to vacant positions and the freezing of increases for AFT employees; utility savings and fiscal constraint regarding general expenses.

Fiscal Year 2011 Compared to 2010

The University's Statement of Net Assets at June 30, 2011 reflects an increase in total assets of \$148.7 million. Current assets increased \$33.4 million from \$115.5 million at June 30, 2010 to \$148.9 million at June 30, 2011. This increase is primarily a result of increases in cash and cash equivalents of \$26.1 million as well as an increase in deposits held by bond trustees, current portion, of \$10.5 million. Major components of the cash increase include the reimbursement of a prior year land purchase for the Medical School in the amount of \$6.2 million from the new Medical School Bond construction fund, an increase in cash generated by our self-funded programs of \$7.3 million (attributed to the CGCE program) and an increase in cash generated by our auxiliary services operations of \$3.6 million. The remainder can be attributed to positive cash flow in general University operations and grants as well as some reimbursements for prior year capital expenditures from the Series 2006 G and Series 2008 B bond construction funds.

Capital assets and other noncurrent assets increased \$115.3 million in the year ended June 30, 2011. The primary cause for this was an increase of \$69.6 million in deposits held by bond trustees, noncurrent portion, and an

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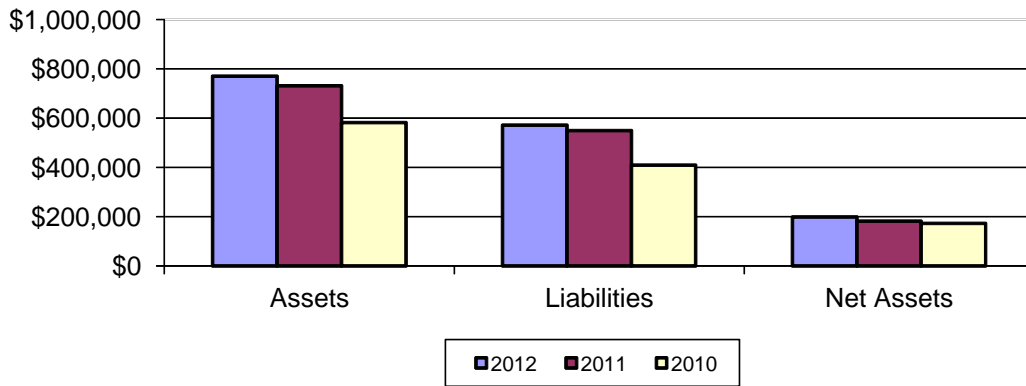
Management's Discussion and Analysis

June 30, 2012 and 2011

increase of \$50.3 million in net capital assets mainly due to the recording of capital leases. Deposits held by bond trustees increased due to the issuance of a Medical School construction bond.

Total net assets increased by \$8.7 million at June 30, 2011 compared to June 30, 2010. Invested in capital assets, net of related debt decreased \$4.3 million during the respective time period. Unrestricted net assets increased \$9.3 million. Restricted expendable net assets increased \$3.7 million due primarily to the increase in debt service. The increase in debt service can also be attributed to the issuance of the Medical School construction bond.

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

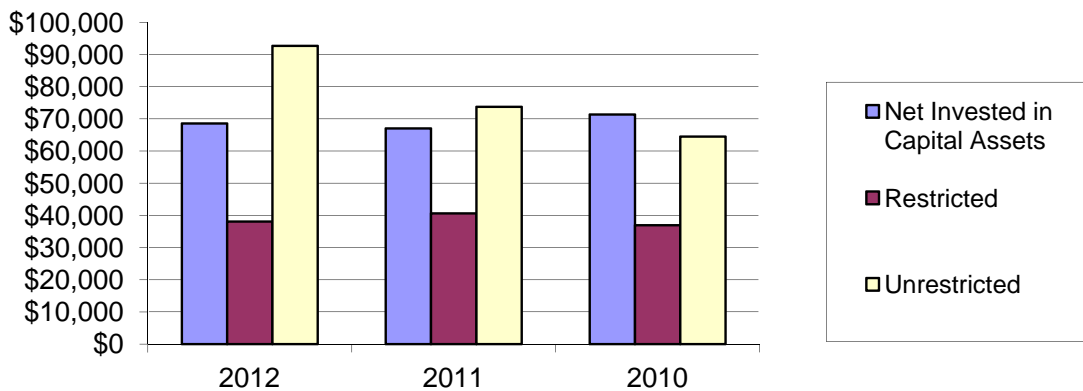


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Management's Discussion and Analysis

June 30, 2012 and 2011

**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.

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.

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Management's Discussion and Analysis

June 30, 2012 and 2011

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, 2012, 2011, and 2010 follows:

| | 2012 | 2011 | 2010 |
|---|-------------|----------------|-------------|
| | | (In thousands) | |
| Operating revenues: | | | |
| Net student revenues | \$ 137,659 | 127,792 | 116,349 |
| Grants | 35,224 | 34,479 | 32,731 |
| Other | 9,746 | 7,359 | 4,454 |
| Total operating revenues | 182,629 | 169,630 | 153,534 |
| Operating expenses | 235,485 | 227,916 | 201,371 |
| Operating loss | (52,856) | (58,286) | (47,837) |
| Nonoperating revenues (expenses): | | | |
| State appropriations | 81,637 | 78,814 | 77,246 |
| Gifts | 6,661 | 8,169 | 7,957 |
| Investment income | 440 | 754 | 801 |
| Interest on capital asset related debt | (27,923) | (21,266) | (15,221) |
| Other nonoperating revenues (expenses), net | 1,287 | (820) | 1,309 |
| Net nonoperating revenues | 62,102 | 65,651 | 72,092 |
| Income before other revenues | 9,246 | 7,365 | 24,255 |
| Capital grants | 8,673 | 1,291 | — |
| Increase in net assets | 17,919 | 8,656 | 24,255 |
| Net assets – beginning of year | 181,398 | 172,742 | 148,487 |
| Net assets – end of year | \$ 199,317 | 181,398 | 172,742 |

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June 30, 2012 and 2011

Fiscal Year 2012 Compared to 2011

The University's net assets increased \$17.9 million in fiscal year 2012. This net amount represents the total revenue available to the University of \$281.3 million compared to total expenses of \$263.4 million. The increase in net assets can predominately be attributed to the increase in unrestricted net assets of \$18.9 million. Unrestricted net assets increased due to an additional appropriation from the State, higher tuition and fee and auxiliary enterprises revenues, salary and utility savings and fiscal constraint regarding general expenses.

Fiscal Year 2011 Compared to 2010

The University's net assets increased by \$8.7 million in fiscal year 2011. This balance represents the total revenue available to the University of \$258.7 million compared to total expenses of \$250 million. The increase in net assets can predominately be attributed to the increase in unrestricted net assets of \$9.3 million. Unrestricted net assets increased due to operating surpluses by our auxiliary services, self-funded programs as well as general university operations.

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.

| | (Amounts in thousands) | | | | | |
|--------------------------|------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 2012 | | 2011 | | 2010 | |
| | <u>Amount</u> | <u>% of total</u> | <u>Amount</u> | <u>% of total</u> | <u>Amount</u> | <u>% of total</u> |
| Operating revenues: | | | | | | |
| Net student revenue | \$ 137,659 | 75.4% | \$ 127,792 | 75.3% | \$ 116,349 | 75.8% |
| Grants | 35,224 | 19.3% | 34,479 | 20.3% | 32,731 | 21.3% |
| Other | 9,746 | 5.3% | 7,359 | 4.4% | 4,454 | 2.9% |
| Total operating revenues | <u>\$ 182,629</u> | <u>100.0%</u> | <u>\$ 169,630</u> | <u>100.0%</u> | <u>\$ 153,534</u> | <u>100.0%</u> |

Operating

Fiscal Year 2012 Compared to 2011

Operating revenues for fiscal year ended June 30, 2012 increased \$13.0 million over fiscal year 2011. The majority of this increase is due to the increase in net student revenue of \$9.9 million. Net student revenue increased due to higher tuition and fee and auxiliary enterprises revenues as a result of tuition and fee increases and increased enrollment. Also contributing to the total increase is a \$2.2 million increase in other operating revenues resulting from an increase of \$2.0 million in Cooper Health System support for the Medical School.

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Management's Discussion and Analysis

June 30, 2012 and 2011

Fiscal Year 2011 Compared to 2010

Operating revenues for the years ended June 30, 2011 and 2010 totaled \$169,630,125 and \$153,534,487, respectively. The sources of these revenues were student revenues, net of scholarships of \$127,791,960 and \$116,349,408, respectively, governmental grants of \$34,479,290 and \$32,730,887, respectively, and other revenue of \$7,358,875 and \$4,454,192, respectively. The increase in other revenue is a result of an increase in other operating revenue of \$3,872,200 offset by a decrease in self-funded programs revenue of \$967,517. Other operating revenue increased due to a \$4 million Cooper Hospital payment towards the Medical School operations.

Nonoperating Revenues (Net)

Fiscal Year 2012 Compared to 2011

Nonoperating revenues (net) for the years ended June 30, 2012 and 2011 totaled \$62.1 million and \$65.7 million, respectively, which is a \$3.6 million decrease. The primary sources of nonoperating revenues were State of New Jersey appropriations, which increased \$2.8 million as Rowan recorded \$81.6 million for fiscal year 2012 and \$78.8 million for fiscal year 2011, as well as Gifts from the Rowan University Foundation in the amount of \$6.7 million, which decreased \$1.5 million principally due to having received one-time gifts in the amount of \$.8 million in fiscal year 2011. State of New Jersey appropriations include the University base appropriation as well as appropriations for the medical school and the value of State paid fringe benefits. Interest on capital asset related debt increased from \$21.3 million at June 30, 2011 to \$27.9 million at June 30, 2012 primarily due to Rowan entering into a new capital lease for student apartments and the impact of a full year of interest payments on the Medical School bonds. Other nonoperating revenues (expenses), net were \$1,287,166 and (\$819,750), respectively for fiscal years 2012 and 2011. The increase is the result of an expense of \$1.0 million in fiscal year 2011 for the disposal of the Mansion Park apartments and a recovery of storm damage of \$0.9 million from FEMA in fiscal year 2012.

Capital grants increased in fiscal year 2012 by \$7.4 million due to the receipt of a full year of federal subsidies on the Medical School Build America Bonds as well as New Jersey Economic Development Authority grant revenue of \$6.3 million towards the construction of the medical school building.

Fiscal Year 2011 Compared to 2010

Nonoperating revenues (net) for the years ended June 30, 2011 and 2010 totaled \$65,650,715 and \$72,091,465, respectively. The primary sources of nonoperating revenues were State of New Jersey appropriations and fringe benefits of \$78,813,668 and \$77,246,277, respectively. The other components of nonoperating revenues were gifts from Rowan University Foundation of \$8,169,404 and \$7,956,848, respectively and investment income of \$753,509 and \$800,675, respectively. Interest on capital asset related debt increased from \$15,221,385 at June 30, 2010 to \$21,266,116 at June 30, 2011. Other nonoperating revenues (expenses), net were (\$819,750) and \$1,309,050, respectively. Interest on capital asset related debt increased due to interest payments made related to the Medical School bond. Nonoperating revenues (expenses) were impacted by a loss on disposal of assets of \$1 million in fiscal year 2011.

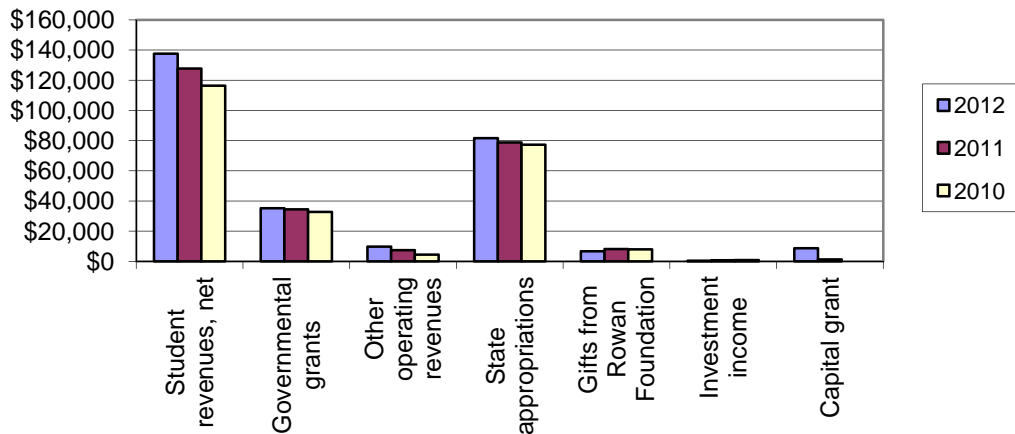
Capital grants increased \$1,291,334 due to a federal subsidy received on the Medical School Build America Bonds Series 2010A.

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June 30, 2012 and 2011

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



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, 2012, 2011, and 2010, the University incurred operating expenses totaling \$235.5 million, \$227.9 million, and \$201.4 million, respectively. The increase of \$7.6 million in operating expenses for fiscal year 2012, in comparison to fiscal year 2011, is a result of additional expenses attributed to providing services for the increased number of students as expenditures for student services and auxiliary services increased \$3.7 million. Also, depreciation and amortization expenses increased \$1.8 million primarily due to the addition of the new capital lease property and completion of construction projects, and expenses for the Medical school grew by \$1.7 million as operations increased. The increase of \$26.5 million in operating expenses for fiscal year 2011, in comparison to fiscal year 2010, is a result of additional expenses attributed to the Medical School operations as well as significant increases in salary expenses as a result of the state negotiated contract agreement.

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A summary of operating expenses for the years ended June 30, 2012, 2011, and 2010 follows:

| | <u>2012</u> | | <u>2011</u> | | <u>2010</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) | | (Amounts in thousands) | | (Amounts in thousands) | |
| Instruction | \$ 94,841 | 40.3% | \$ 95,847 | 42.1% | \$ 76,242 | 37.9% |
| Research | 3,429 | 1.5 | 2,906 | 1.3 | 2,507 | 1.2 |
| Public service | 1,336 | 0.6 | 1,345 | 0.6 | 1,215 | 0.6 |
| Academic support | 19,171 | 8.1 | 18,929 | 8.3 | 17,184 | 8.5 |
| Student services | 18,202 | 7.7 | 17,355 | 7.6 | 15,766 | 7.8 |
| Institutional support | 27,326 | 11.6 | 25,685 | 11.3 | 25,304 | 12.6 |
| Operation and maintenance of plant | 22,069 | 9.4 | 21,260 | 9.3 | 21,945 | 10.9 |
| Student aid | 1,541 | 0.7 | 1,697 | 0.7 | 2,057 | 1.0 |
| Auxiliary enterprises | 20,854 | 8.9 | 18,017 | 7.9 | 17,210 | 8.5 |
| Depreciation/amortization | 26,716 | 11.3 | 24,875 | 10.9 | 21,942 | 10.9 |
| Total operating expenses | <u>\$ 235,485</u> | <u>100.0%</u> | <u>\$ 227,916</u> | <u>100.0%</u> | <u>\$ 201,372</u> | <u>100.0%</u> |

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 A2, respectively.

Total capital additions were \$107.1 million, \$72.2 million, and \$75.0 million, for the years ended June 30, 2012, 2011, and 2010, respectively. The major activities were the construction of the medical school building, and the completion of deferred maintenance projects. In addition, capital additions increased in fiscal years 2012 and 2011 due to the University's capital lease agreements for student apartments and the bookstore. A summary of the University's capital additions for the years ended June 30, 2012, 2011, and 2010 is shown below:

Capital Additions

| | <u>2012</u> | <u>2011</u> | <u>2010</u> |
|---|-----------------------|-------------------|-------------------|
| Land | \$ 15,167 | 2,615,221 | 6,256,825 |
| Art collections | — | 750,000 | — |
| Construction in progress (net of transfers out) | 62,802,464 | 17,475,009 | 608,897 |
| Land improvements | 331,432 | 3,112,200 | 3,845,357 |
| Buildings (less disposals) | 40,175,080 | 46,436,341 | 61,734,791 |
| Equipment | 3,741,254 | 1,852,029 | 2,520,369 |
| Total additions | <u>\$ 107,065,397</u> | <u>72,240,800</u> | <u>74,966,239</u> |

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Management's Discussion and Analysis

June 30, 2012 and 2011

As of June 30, 2012, 2011, and 2010, the University had \$68.6 million, \$67.0 million, and \$71.3 million, respectively, invested in capital assets, net of related debt. Outstanding bonds as of June 30, 2012 were \$411.1 million, compared to \$424.4 million and \$322.1 million as of June 30, 2011 and June 30, 2010 respectively. A summary of the University's outstanding bonds for the years ended June 30, 2012, 2011, and 2010 is shown below:

| | Bonds Payable | 2012 | 2011 | 2010 |
|---|----------------------|---------------------------|---------------------------|---------------------------|
| Series 1983 D Revenue Bonds, due serially to 2013 | \$ | <u>355,000</u> | <u>525,000</u> | <u>690,000</u> |
| Series 2000 B Revenue Bonds, due serially to 2010 | | — | — | 1,210,000 |
| Series 2001 B Revenue Bonds, due serially to 2011 | | — | 210,000 | 210,000 |
| Series 2001 C Revenue Refunding Bonds, due serially to 2026 | | — | — | 38,850,000 |
| Series 2002 K Revenue Bonds, due serially to 2012 | | 340,000 | 665,000 | 665,000 |
| Series 2003 I Revenue Bonds, due serially to 2013 | | 3,815,000 | 5,585,000 | 6,880,000 |
| Series 2004 C Revenue Bonds, due serially to 2014 | | 6,655,000 | 8,680,000 | 8,680,000 |
| Series 2005 D Revenue Refunding Bonds, due serially to 2030 | | 49,280,000 | 50,960,000 | 51,360,000 |
| Series 2006 G Revenue Bonds, due serially to 2031 | | 65,090,000 | 66,530,000 | 67,915,000 |
| Series 2007 B Revenue Refunding Bonds, due serially to 2034 | | 118,650,000 | 119,500,000 | 119,500,000 |
| Series 2008 B Revenue Refunding Bonds, due serially to 2027 | | 35,205,000 | 35,205,000 | 35,205,000 |
| Series 2010 A Build America Bonds, due serially to 2035 | | 93,885,000 | 93,885,000 | — |
| Series 2010 B due serially to 2016 | | 14,365,000 | 19,280,000 | — |
| Series 2011 C Revenue Refunding Bonds, due serially to 2025 | | <u>30,045,000</u> | <u>30,045,000</u> | <u>—</u> |
| | | 417,685,000 | 431,070,000 | 331,165,000 |
| (Less) plus: | | | | |
| Deferred loss on bond refinancing | | (8,088,821) | (8,507,697) | (8,702,022) |
| Bond premium (discount) | | <u>1,478,607</u> | <u>1,809,953</u> | <u>(404,079)</u> |
| | \$ | <u><u>411,074,786</u></u> | <u><u>424,372,256</u></u> | <u><u>322,058,899</u></u> |

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

Management's Discussion and Analysis

June 30, 2012 and 2011

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. Although the University's unrestricted general operations appropriation from the State of New Jersey increased from fiscal year 2011 to fiscal year 2012 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 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 committed in its efforts to continue to enrich the lives of those in the campus community and surrounding region.

ROWAN UNIVERSITY
(A Component Unit of the State of New Jersey)
Statement of Net Assets
June 30, 2012

| Assets | Rowan University | Rowan University Foundation | South Jersey Technology Park at Rowan University | Total |
|---|---------------------|-----------------------------------|---|-------------|
| Current assets: | | | | |
| Cash and cash equivalents (notes 2 and 12) | \$ 124,966,451 | 2,778,704 | 1,195,317 | 128,940,472 |
| Restricted cash and cash equivalents (notes 2 and 12) | 15,600,000 | 1,050,372 | — | 16,650,372 |
| Receivables: | | | | |
| Students, less allowance of \$1,064,000 | 2,090,781 | — | — | 2,090,781 |
| Restricted contributions, net | — | 753,771 | — | 753,771 |
| Grants | 7,165,018 | — | — | 7,165,018 |
| State of New Jersey | 1,666,444 | — | — | 1,666,444 |
| Interest and other | 167,128 | 88,228 | 28,092 | 283,448 |
| Total receivables | 11,089,371 | 841,999 | 28,092 | 11,959,462 |
| Restricted deposits held by bond trustees (note 3) | 25,087,423 | — | — | 25,087,423 |
| Other current assets | 1,178,511 | 1,400 | — | 1,179,911 |
| Total current assets | 177,921,756 | 4,672,475 | 1,223,409 | 183,817,640 |
| Noncurrent assets: | | | | |
| Restricted deposits held by bond trustees (note 3) | 28,330,852 | — | — | 28,330,852 |
| Investments, at fair value (notes 2 and 12) | 1,292,294 | 21,969,473 | — | 23,261,767 |
| Restricted investments, at fair value (notes 2 and 12) | — | 8,687,057 | — | 8,687,057 |
| Restricted nonexpendable investments, at fair value (note 12) | — | 110,285,093 | — | 110,285,093 |
| Restricted contributions receivable, net | — | 4,728,768 | — | 4,728,768 |
| Deferred financing costs, net of accumulated amortization | 4,226,672 | — | 161,268 | 4,387,940 |
| Capital assets, net (notes 4 and 11) | 558,987,025 | — | 11,969,027 | 570,956,052 |
| Total noncurrent assets | 592,836,843 | 145,670,391 | 12,130,295 | 750,637,529 |
| Total assets | 770,758,599 | 150,342,866 | 13,353,704 | 934,455,169 |
| Liabilities | | | | |
| Current liabilities: | | | | |
| Accounts payable and accrued expenses (note 7) | 27,850,022 | 72,365 | 35,226 | 27,957,613 |
| Deferred revenue | 9,457,025 | 117,464 | — | 9,574,489 |
| Annuities payable – current portion | — | 71,783 | — | 71,783 |
| Bonds payable – current portion (notes 8 and 10) | 13,365,000 | — | — | 13,365,000 |
| Other long-term debt – current portion (notes 9, 10 and 11) | 499,989 | — | — | 499,989 |
| Capital lease obligation - current portion (note 11) | 1,972,990 | — | 165,809 | 2,138,799 |
| Total current liabilities | 53,145,026 | 261,612 | 201,035 | 53,607,673 |
| Noncurrent liabilities (note 10): | | | | |
| Student housing deposits | 402,570 | — | — | 402,570 |
| Compensated absences – noncurrent portion (note 10 and 11) | 2,524,127 | — | — | 2,524,127 |
| Other liabilities | 255,739 | — | — | 255,739 |
| Deposits held in custody for others | 1,446,987 | 1,227,161 | — | 2,674,148 |
| Annuities payable – noncurrent portion | — | 424,962 | — | 424,962 |
| Bonds payable – noncurrent portion (note 8) | 397,709,786 | — | — | 397,709,786 |
| Other long-term debt – noncurrent portion (note 9) | 5,788,981 | — | 5,680,333 | 11,469,314 |
| Capital lease obligation (note 11) | 110,168,822 | — | — | 110,168,822 |
| Total noncurrent liabilities | 518,297,012 | 1,652,123 | 5,680,333 | 525,629,468 |
| Total liabilities | 571,442,038 | 1,913,735 | 5,881,368 | 579,237,141 |
| Net Assets | | | | |
| Invested in capital assets, net of related debt | 68,556,785 | — | 6,122,885 | 74,679,670 |
| Restricted: | | | | |
| Nonexpendable (note 12) | — | 110,285,093 | — | 110,285,093 |
| Expendable: | | | | |
| Debt service | 13,365,000 | — | — | 13,365,000 |
| Debt service reserve | 9,131,225 | — | — | 9,131,225 |
| Medical School | 15,600,000 | — | — | 15,600,000 |
| Inductotherm Scholarships | — | 1,825,534 | — | 1,825,534 |
| Other scholarships | — | 3,157,824 | — | 3,157,824 |
| College of Business | — | 4,695,000 | — | 4,695,000 |
| Other | — | 4,927,401 | — | 4,927,401 |
| Unrestricted (note 11) | 92,663,551 | 23,538,279 | 1,349,451 | 117,551,281 |
| Total net assets | \$ 199,316,561 | 148,429,131 | 7,472,336 | 355,218,028 |

See accompanying notes to financial statements.

ROWAN UNIVERSITY
(A Component Unit of the State of New Jersey)
Statement of Net Assets
June 30, 2011

| Assets | Rowan University | Rowan University Foundation | South Jersey Technology Park at Rowan University | Total |
|---|-----------------------|-----------------------------------|---|--------------------|
| Current assets: | | | | |
| Cash and cash equivalents (notes 2 and 12) | \$ 100,582,393 | 2,168,881 | 1,091,417 | 103,842,691 |
| Restricted cash and cash equivalents (notes 2 and 12) | 15,609,019 | 596,829 | | 16,205,848 |
| Receivables: | | | | |
| Students, less allowance of \$762,000 | 1,989,591 | — | — | 1,989,591 |
| Restricted contributions, net | — | 648,380 | — | 648,380 |
| Grants | 3,023,247 | — | — | 3,023,247 |
| State of New Jersey | 1,752,328 | — | — | 1,752,328 |
| Due from South Jersey Technology Park at Rowan University (note 13) | 5,961 | — | — | 5,961 |
| Interest and other | 257,433 | — | 17,448 | 274,881 |
| Total receivables | <u>7,028,560</u> | <u>648,380</u> | <u>17,448</u> | <u>7,694,388</u> |
| Restricted deposits held by bond trustees (note 3) | 24,186,078 | — | — | 24,186,078 |
| Other current assets | 1,539,073 | — | — | 1,539,073 |
| Total current assets | <u>148,945,123</u> | <u>3,414,090</u> | <u>1,108,865</u> | <u>153,468,078</u> |
| Noncurrent assets: | | | | |
| Restricted deposits held by bond trustees (note 3) | 98,237,294 | — | — | 98,237,294 |
| Investments, at fair value (notes 2 and 12) | 1,448,899 | 29,178,238 | — | 30,627,137 |
| Restricted investments, at fair value (notes 2 and 12) | — | 8,856,695 | — | 8,856,695 |
| Restricted nonexpendable investments, at fair value (note 12) | — | 109,559,372 | — | 109,559,372 |
| Restricted contributions receivable, net | — | 4,791,756 | — | 4,791,756 |
| Deferred financing costs, net of accumulated amortization | 4,522,130 | — | 168,190 | 4,690,320 |
| Capital assets, net (notes 4 and 11) | 478,253,922 | — | 12,336,462 | 490,590,384 |
| Total noncurrent assets | <u>582,462,245</u> | <u>152,386,061</u> | <u>12,504,652</u> | <u>747,352,958</u> |
| Total assets | <u>731,407,368</u> | <u>155,800,151</u> | <u>13,613,517</u> | <u>900,821,036</u> |
| Liabilities | | | | |
| Current liabilities: | | | | |
| Accounts payable and accrued expenses (note 7) | 27,952,378 | 58,398 | 33,362 | 28,044,138 |
| Deferred revenue | 7,312,746 | 45,541 | — | 7,358,287 |
| Annuities payable – current portion | — | 63,383 | — | 63,383 |
| Due to Rowan University (note 13) | — | — | 5,961 | 5,961 |
| Bonds payable – current portion (notes 8 and 10) | 15,020,000 | — | — | 15,020,000 |
| Other long-term debt – current portion (notes 9, 10 and 11) | 467,082 | — | 159,592 | 626,674 |
| Total current liabilities | <u>50,752,206</u> | <u>167,322</u> | <u>198,915</u> | <u>51,118,443</u> |
| Noncurrent liabilities (note 10): | | | | |
| Student housing deposits | 436,900 | — | — | 436,900 |
| Compensated absences – noncurrent portion (note 10 and 11) | 2,484,514 | 40,000 | — | 2,524,514 |
| Other liabilities | 218,606 | — | — | 218,606 |
| Deposits held in custody for others | 1,258,542 | 1,263,972 | — | 2,522,514 |
| Annuities payable – noncurrent portion | — | 392,518 | — | 392,518 |
| Bonds payable – noncurrent portion (note 8) | 409,352,256 | — | — | 409,352,256 |
| Other long-term debt – noncurrent portion (note 9) | 6,289,146 | — | 5,846,061 | 12,135,207 |
| Capital lease obligation (note 11) | 79,217,217 | — | — | 79,217,217 |
| Total noncurrent liabilities | <u>499,257,181</u> | <u>1,696,490</u> | <u>5,846,061</u> | <u>506,799,732</u> |
| Total liabilities | <u>550,009,387</u> | <u>1,863,812</u> | <u>6,044,976</u> | <u>557,918,175</u> |
| Net Assets | | | | |
| Invested in capital assets, net of related debt | 67,025,016 | — | 6,330,809 | 73,355,825 |
| Restricted: | | | | |
| Nonexpendable (note 12) | — | 109,559,372 | — | 109,559,372 |
| Expendable: | | | | |
| Renewal and replacement | 650,000 | — | — | 650,000 |
| Debt service | 15,020,000 | — | — | 15,020,000 |
| Debt service reserve | 9,352,200 | — | — | 9,352,200 |
| Medical School | 15,609,019 | — | — | 15,609,019 |
| Inductotherm Scholarships | — | 1,617,063 | — | 1,617,063 |
| Other scholarships | — | 3,881,067 | — | 3,881,067 |
| College of Business | — | 4,950,000 | — | 4,950,000 |
| Other | — | 3,944,088 | — | 3,944,088 |
| Unrestricted (note 11) | <u>73,741,746</u> | <u>29,984,749</u> | <u>1,237,732</u> | <u>104,964,227</u> |
| Total net assets | <u>\$ 181,397,981</u> | <u>153,936,339</u> | <u>7,568,541</u> | <u>342,902,861</u> |

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, 2012

| | <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 | \$ 131,500,760 | — | — | 131,500,760 |
| Auxiliary enterprises | 40,669,713 | — | — | 40,669,713 |
| Less scholarship allowances | (34,511,427) | — | — | (34,511,427) |
| Net student revenues | 137,659,046 | — | — | 137,659,046 |
| Grants | 35,223,700 | — | — | 35,223,700 |
| Self-funded programs | 3,185,551 | — | — | 3,185,551 |
| Fundraising events | — | 104,533 | — | 104,533 |
| Contributions | — | 2,971,614 | — | 2,971,614 |
| Rental income (note 13) | — | — | 862,197 | 862,197 |
| Other operating revenues | 6,560,321 | — | 2,640 | 6,562,961 |
| Total operating revenues | 182,628,618 | 3,076,147 | 864,837 | 186,569,602 |
| Operating expenses: | | | | |
| Instruction | 94,840,747 | — | — | 94,840,747 |
| Research | 3,428,582 | — | — | 3,428,582 |
| Public service | 1,336,311 | — | — | 1,336,311 |
| Academic support | 19,170,866 | — | — | 19,170,866 |
| Student services | 18,201,691 | — | — | 18,201,691 |
| Institutional support | 27,326,407 | 174,308 | 260,709 | 27,761,424 |
| Operation and maintenance of plant | 22,069,675 | — | 121,737 | 22,191,412 |
| Student aid | 1,541,023 | — | — | 1,541,023 |
| Auxiliary enterprises | 20,853,853 | — | — | 20,853,853 |
| Depreciation and amortization | 26,716,112 | — | 374,357 | 27,090,469 |
| Total operating expenses | 235,485,267 | 174,308 | 756,803 | 236,416,378 |
| Operating (loss) income | (52,856,649) | 2,901,839 | 108,034 | (49,846,776) |
| Nonoperating revenues (expenses): | | | | |
| State of New Jersey appropriations | 30,716,000 | — | — | 30,716,000 |
| State of New Jersey appropriations - Medical School | 18,407,000 | — | — | 18,407,000 |
| State of New Jersey fringe benefits (note 5) | 32,514,228 | — | — | 32,514,228 |
| Student scholarships | — | (1,227,417) | — | (1,227,417) |
| Gifts from Rowan University Foundation (note 12) | 6,660,716 | (6,660,716) | — | — |
| Other grants | — | (12,537) | — | (12,537) |
| Investment income (loss) | 439,617 | (1,160,612) | 3,459 | (717,536) |
| Investment expenses | — | (17,391) | — | (17,391) |
| Interest on capital asset related debt | (27,922,882) | — | (207,698) | (28,130,580) |
| Other nonoperating revenues (expenses), net | 1,287,166 | (56,095) | — | 1,231,071 |
| Net nonoperating revenues (expenses) | 62,101,845 | (9,134,768) | (204,239) | 52,762,838 |
| Income (loss) before other revenues | 9,245,196 | (6,232,929) | (96,205) | 2,916,062 |
| Capital grants | 8,673,384 | — | — | 8,673,384 |
| Additions to permanent endowments | — | 725,721 | — | 725,721 |
| Increase (decrease) in net assets | 17,918,580 | (5,507,208) | (96,205) | 12,315,167 |
| Net assets as of beginning of year | 181,397,981 | 153,936,339 | 7,568,541 | 342,902,861 |
| Net assets as of end of year | \$ 199,316,561 | 148,429,131 | 7,472,336 | 355,218,028 |

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, 2011

| | <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 | \$ 124,776,150 | — | — | 124,776,150 |
| Auxiliary enterprises | 36,561,408 | — | — | 36,561,408 |
| Less scholarship allowances | (33,545,598) | — | — | (33,545,598) |
| Net student revenues | 127,791,960 | — | — | 127,791,960 |
| Grants | 34,479,290 | — | — | 34,479,290 |
| Self-funded programs | 3,001,366 | — | — | 3,001,366 |
| Fund-raising events | — | 98,736 | — | 98,736 |
| Contributions | — | 2,867,112 | — | 2,867,112 |
| Rental income (note 13) | — | — | 800,365 | 800,365 |
| Other operating revenues | 4,357,509 | — | 8,492 | 4,366,001 |
| Total operating revenues | 169,630,125 | 2,965,848 | 808,857 | 173,404,830 |
| Operating expenses: | | | | |
| Instruction | 95,846,650 | — | — | 95,846,650 |
| Research | 2,906,494 | — | — | 2,906,494 |
| Public service | 1,345,089 | — | — | 1,345,089 |
| Academic support | 18,929,121 | — | — | 18,929,121 |
| Student services | 17,354,795 | — | — | 17,354,795 |
| Institutional support | 25,684,572 | 152,115 | 162,460 | 25,999,147 |
| Operation and maintenance of plant | 21,260,437 | — | 148,432 | 21,408,869 |
| Student aid | 1,696,542 | — | — | 1,696,542 |
| Auxiliary enterprises | 18,017,006 | — | — | 18,017,006 |
| Depreciation and amortization | 24,875,211 | — | 368,555 | 25,243,766 |
| Total operating expenses | 227,915,917 | 152,115 | 679,447 | 228,747,479 |
| Operating (loss) income | (58,285,792) | 2,813,733 | 129,410 | (55,342,649) |
| Nonoperating revenues (expenses): | | | | |
| State of New Jersey appropriations | 29,440,000 | — | — | 29,440,000 |
| State of New Jersey appropriations - Medical School | 18,407,000 | — | — | 18,407,000 |
| State of New Jersey fringe benefits (note 5) | 30,966,668 | — | — | 30,966,668 |
| Student scholarships | — | (1,120,299) | — | (1,120,299) |
| Gifts from Rowan University Foundation (note 12) | 8,169,404 | (8,169,404) | — | — |
| Other grants | — | (9,074) | — | (9,074) |
| Investment income | 753,509 | 26,394,728 | 8,187 | 27,156,424 |
| Investment expenses | — | (87,321) | — | (87,321) |
| Interest on capital asset related debt | (21,266,116) | — | (222,630) | (21,488,746) |
| Other nonoperating expenses, net | (819,750) | (66,150) | — | (885,900) |
| Net nonoperating revenues (expenses) | 65,650,715 | 16,942,480 | (214,443) | 82,378,752 |
| Income (loss) before other revenues | 7,364,923 | 19,756,213 | (85,033) | 27,036,103 |
| Capital grants | 1,291,334 | — | — | 1,291,334 |
| Additions to permanent endowments | — | 874,311 | — | 874,311 |
| Increase (decrease) in net assets | 8,656,257 | 20,630,524 | (85,033) | 29,201,748 |
| Net assets as of beginning of year | 172,741,724 | 133,305,815 | 7,653,574 | 313,701,113 |
| Net assets as of end of year | \$ 181,397,981 | 153,936,339 | 7,568,541 | 342,902,861 |

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, 2012 and 2011

| | 2012 | 2011 |
|--|-----------------|---------------|
| Cash flows from operating activities: | | |
| Student revenues | \$ 137,255,856 | 126,818,673 |
| Government grants | 33,560,931 | 38,545,182 |
| Payments to suppliers | (57,465,064) | (59,474,827) |
| Payments for employee salaries and benefits | (118,382,339) | (113,406,123) |
| Self-funded programs and other receipts | 9,812,159 | 7,462,201 |
| Net cash provided (used) by operating activities | 4,781,543 | (54,894) |
| Cash flows from noncapital financing activities: | | |
| State of New Jersey appropriations | 49,123,000 | 47,847,000 |
| Gifts | 6,660,716 | 7,353,560 |
| Net cash provided by noncapital financing activities | 55,783,716 | 55,200,560 |
| Cash flows from capital and related financing activities: | | |
| Drawdown of deposits held by bond trustees | 7,497,860 | 24,235,851 |
| Bond proceeds | — | 146,154,392 |
| Proceeds from capital lease refinancing | 8,150,000 | — |
| Deposits to Construction Fund | — | (112,700,000) |
| Capital grants | 6,194,382 | 1,291,334 |
| Defeasement of debt | — | (38,446,573) |
| Bond issuance costs | — | (1,924,735) |
| Purchases of capital assets | (15,812,385) | (17,968,060) |
| Principal paid on capital debt | (14,827,662) | (12,904,574) |
| Interest paid on capital debt | (27,889,974) | (23,642,543) |
| Net cash used by capital and related financing activities | (36,687,779) | (35,904,908) |
| Cash flows from investing activities: | | |
| Interest on investments | 497,559 | 829,689 |
| Repayment of SJTP loan | — | 6,000,000 |
| Net cash provided by investing activities | 497,559 | 6,829,689 |
| Net increase in cash and cash equivalents | 24,375,039 | 26,070,447 |
| Cash and cash equivalents as of beginning of the year | 116,191,412 | 90,120,965 |
| Cash and cash equivalents as of end of the year | \$ 140,566,451 | 116,191,412 |
| Reconciliation of operating loss to net cash provided (used) by operating activities: | | |
| Operating loss | \$ (52,856,649) | (58,285,792) |
| Adjustments to reconcile operating loss to net cash provided (used) by operating activities: | | |
| State paid fringe benefits | 32,514,228 | 30,966,668 |
| Depreciation and amortization expense | 26,716,112 | 24,875,211 |
| Changes in assets and liabilities: | | |
| Receivables | (4,060,811) | 3,197,517 |
| Other current assets | 360,562 | (65,546) |
| Accounts payable and accrued expenses | (227,428) | 2,216,985 |
| Deferred revenue | 2,144,281 | (3,321,322) |
| Student housing deposits | (34,330) | 339,910 |
| Other liabilities | 37,133 | 32,072 |
| Deposits held in custody for others | 188,445 | (10,597) |
| Net cash provided (used) by operating activities | \$ 4,781,543 | (54,894) |
| Noncash transaction: | | |
| Non-cash gifts | \$ — | 815,844 |
| Capital assets acquired through capital lease obligation | 33,900,000 | 37,400,000 |
| State paid fringe benefits | 32,514,228 | 30,966,668 |
| Construction fund direct vendor payments | 61,239,652 | 14,814,294 |

See accompanying notes to financial statements.

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

Notes to Financial Statements

June 30, 2012 and 2011

(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 solely 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.

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- *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.

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 maintains 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. Land, land improvements and building improvements costing over \$5,000, as well as equipment with a unit cost over \$5,000 are capitalized. Donated capital assets, including artwork, are recorded at the estimated fair value at the date of donation. 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. Artwork is considered inexhaustible and is not depreciated. 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 |

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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.

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 when all eligibility requirements for revenue recognition are met which is generally the period in which related expenses are incurred. Amounts received from grants and contracts for which eligibility requirements have not been met 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 or do not result from the receipt or provision of goods and services, such as operating appropriations from the state, private gifts, and investment income. Interest expense is reported as a nonoperating expense.

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.

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Tax Status

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

Reclassification

Certain prior year amounts have been reclassified to be consistent with current year presentation.

(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, 2012 and 2011:

| | <u>2012</u> | <u>2011</u> |
|--|-----------------------|--------------------|
| Cash | \$ 18,117,644 | 9,475,940 |
| State of New Jersey Cash Management Fund | 5,607,208 | 5,604,681 |
| Money market accounts | <u>116,841,599</u> | <u>101,110,791</u> |
| Total cash and cash equivalents | <u>\$ 140,566,451</u> | <u>116,191,412</u> |
| Investments: | | |
| U.S. Treasury notes | \$ 701,141 | 858,593 |
| Equity securities | 81,270 | 39,356 |
| TIAA-CREF mutual fund | <u>509,883</u> | <u>550,950</u> |
| Total investments | <u>\$ 1,292,294</u> | <u>1,448,899</u> |

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

Custodial credit risk is the risk that in the event of a bank failure, the University's deposits may not be returned to it. Cash and money market accounts were held at a depository and bank balances amounted to \$134,898,751 and \$112,116,829, as of June 30, 2012 and 2011 respectively. Of these amounts, \$250,000 was FDIC insured and the excess is collateralized pursuant to New Jersey Statute 52:18-16-1.

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The University participates in the State of New Jersey Cash Management Fund (NJCMF) wherein amounts also contributed by other State entities are combined in a large-scale investment program. The University deposits in the NJCMF were \$5,607,208 and \$5,604,681 and June 30, 2012 and 2011 respectively. These amounts are collateralized in accordance with Chapter 64 of Title 18A of New Jersey Statutes, but not in the University's name.

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. The University's investment at TIAA-CREF and State of New Jersey Cash Management Fund are unrated. See table in note 3 for ratings of deposits held by bond trustees.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of a debt investment. The University's investment policy does not specifically address limitations in the maturities of investments. The University's investments are due within one year.

(3) Restricted 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.

| | <u>2012</u> | <u>2011</u> |
|---|----------------------|-------------------|
| Construction funds | \$ 23,033,823 | 92,314,854 |
| Renewal and replacement funds | — | 652,738 |
| Debt service reserve funds | 5,297,029 | 5,269,702 |
| Debt service funds | <u>25,087,423</u> | <u>24,186,078</u> |
| | 53,418,275 | 122,423,372 |
| Less current portion | <u>25,087,423</u> | <u>24,186,078</u> |
| Noncurrent deposits held by bond trustees | <u>\$ 28,330,852</u> | <u>98,237,294</u> |

Deposits held by bond trustees were \$53,418,275 and \$122,423,372 as of June 30, 2012 and 2011, respectively. Of these amounts, \$2,227,546 and \$7,290,731 as of June 30, 2012 and 2011, respectively, were invested in fixed income holdings, with the remainder in unrated money market investments.

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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, 2012 and 2011:

| <u>2012</u> | <u>Rating</u> | <u>Fair value</u> | <u>Less than 1 year</u> | <u>1–5 years</u> |
|-------------------------------|---------------|---------------------|-----------------------------|------------------|
| U.S. Treasury bills and notes | AAA | \$ 2,227,546 | 2,227,546 | — |
| | | <u>\$ 2,227,546</u> | <u>2,227,546</u> | <u>—</u> |
| | | | | |
| <u>2011</u> | <u>Rating</u> | <u>Fair value</u> | <u>Less than 1 year</u> | <u>1–5 years</u> |
| U.S. Treasury bills and notes | AAA | \$ 7,290,731 | 7,290,731 | — |
| | | <u>\$ 7,290,731</u> | <u>7,290,731</u> | <u>—</u> |

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(4) Capital Assets

The detail of capital assets activity for the years ended June 30, 2012 and 2011 follows:

| <u>2012</u> | <u>Beginning balance</u> | <u>Additions</u> | <u>Deletions/ transfers</u> | <u>Ending balance</u> |
|-----------------------------------|------------------------------|--------------------|---------------------------------|---------------------------|
| Nondepreciable assets: | | | | |
| Land | \$ 44,873,516 | 15,167 | — | 44,888,683 |
| Artwork | 750,000 | — | — | 750,000 |
| Construction in progress | 49,134,651 | 77,574,142 | (14,771,678) | 111,937,115 |
| Total nondepreciable assets | <u>94,758,167</u> | <u>77,589,309</u> | <u>(14,771,678)</u> | <u>157,575,798</u> |
| Depreciable assets: | | | | |
| Land improvements | 34,080,885 | 331,432 | — | 34,412,317 |
| Buildings | 502,305,704 | 48,325,080 | (8,150,000) | 542,480,784 |
| Equipment | 28,047,659 | 3,741,254 | — | 31,788,913 |
| Total depreciable assets | <u>564,434,248</u> | <u>52,397,766</u> | <u>(8,150,000)</u> | <u>608,682,014</u> |
| Less accumulated depreciation: | | | | |
| Land improvements | 11,713,282 | 1,590,687 | — | 13,303,969 |
| Buildings | 151,562,605 | 22,316,394 | — | 173,878,999 |
| Equipment | 17,662,606 | 2,425,213 | — | 20,087,819 |
| Total accumulated depreciation | <u>180,938,493</u> | <u>26,332,294</u> | <u>—</u> | <u>207,270,787</u> |
| Total capital assets, net | <u>\$ 478,253,922</u> | <u>103,654,781</u> | <u>(22,921,678)</u> | <u>558,987,025</u> |

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| 2011 | Beginning balance | Additions | Deletions/ transfers | Ending balance |
|-----------------------------------|------------------------------|-------------------|---------------------------------|---------------------------|
| Nondepreciable assets: | | | | |
| Land | \$ 42,258,295 | 2,615,221 | — | 44,873,516 |
| Artwork | — | 750,000 | — | 750,000 |
| Construction in progress | 31,659,642 | 34,204,795 | (16,729,786) | 49,134,651 |
| Total nondepreciable assets | <u>73,917,937</u> | <u>37,570,016</u> | <u>(16,729,786)</u> | <u>94,758,167</u> |
| Depreciable assets: | | | | |
| Land improvements | 30,968,685 | 3,112,200 | — | 34,080,885 |
| Buildings | 455,869,363 | 49,852,365 | (3,416,024) | 502,305,704 |
| Equipment | 26,195,630 | 1,852,029 | — | 28,047,659 |
| Total depreciable assets | <u>513,033,678</u> | <u>54,816,594</u> | <u>(3,416,024)</u> | <u>564,434,248</u> |
| Less accumulated depreciation: | | | | |
| Land improvements | 10,177,735 | 1,535,547 | — | 11,713,282 |
| Buildings | 133,546,587 | 20,431,364 | (2,415,346) | 151,562,605 |
| Equipment | 15,277,952 | 2,384,654 | — | 17,662,606 |
| Total accumulated depreciation | <u>159,002,274</u> | <u>24,351,565</u> | <u>(2,415,346)</u> | <u>180,938,493</u> |
| Total capital assets, net | <u>\$ 427,949,341</u> | <u>68,035,045</u> | <u>(17,730,464)</u> | <u>478,253,922</u> |

Depreciation expense for the years ended June 30, 2012 and 2011 was \$26,332,294 and \$24,351,565, respectively. During 2012 and 2011, the University has capitalized interest expense, net of related interest income of \$2,643,165 and \$4,022,107, respectively, in construction in progress in the accompanying statements of net assets. The estimated cost to complete capital projects included in construction in progress as of June 30, 2012 approximates \$64,027,000. Financing for these projects is approximately \$23,034,000 in bond proceeds and \$40,993,000 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 and retirees. The costs of these benefits, \$32,514,228 and \$30,966,668, respectively, for fiscal years 2012 and 2011, 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), the Teachers’ Pension and Annuity Fund (TPAF), the Police and Fireman’s Retirement System (PFRS) and the Defined Contribution Retirement Program (DCRP). Generally all employees, except certain part-time employees, participate in one of these plans. Under these plans, participants make annual contributions, and the State, in accordance with State statutes, makes employer contributions on behalf of the University for these plans with the exception of the DCRP. Employer contributions to DCRP are paid by the University and are reflected in the accompanying financial statements as expenses. The University is charged for pension costs through a fringe benefit charge assessed by the State which is included with the State of New Jersey fringe benefits in the accompanying financial statements.

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 contributory defined benefit pension plan with a special funding situation. 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.

PFRS is a defined benefit pension fund established in 1944. It is open to all police officers and firefighters appointed after June 1944. Chapter 204, P.L. 1989 changed eligibility criteria for membership in the PFRS which included State College employees (campus police). If a State police or fire title does not meet eligibility requirements then PERS membership is required.

DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit along with life insurance and disability coverage. DCRP enrollment eligibility criteria includes employees who: (1) earn below a minimum base salary, or (2) do not work a minimum number of hours per week, or (3) are enrolled in PERS and make in excess of the established “maximum contribution” limits. Participating eligibility, as well as contributory and noncontributory requirements are established by the State of New Jersey Retirement and Social Security Law.

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.

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PERS Funding Policies

PERS members contribute at a uniform rate. The full normal employee contribution rate became 6.5% of annual compensation, effective July 1, 2011. 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.

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, 2012 and 2011, ABP investment carriers received employer and employee contributions as follows:

| | 2012 | 2011 |
|---------------------------------|--------------|-------------|
| Employer contributions | \$ 4,862,155 | 4,780,604 |
| Employee contributions | 7,047,226 | 7,078,826 |
| Basis for contributions: | | |
| Participating employee salaries | 60,776,935 | 59,757,545 |

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.

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Defined Contribution Retirement Program (DCRP)

DCRP has one investment carrier, Prudential, which jointly administers the DCRP investments with the Division of Pensions and Benefits. The University assumes no liability for DCRP members other than payment of contributions. Benefits are determined by the amount of individual accumulations and the retirement option selected. All benefits vest immediately for employees who are enrolled in PERS or after one year for employees not in PERS. 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 5.5% of their eligible wages. Employer contributions are 3%. During the years ended June 30, 2012 and 2011, Prudential received employer and employee contributions as follows:

| | <u>2012</u> | <u>2011</u> |
|---------------------------------|-------------|-------------|
| Employer contributions | \$ 4,988 | 2,852 |
| Employee contributions | 9,144 | 5,228 |
| Basis for contributions: | | |
| Participating employee salaries | 166,248 | 95,059 |

Post Employment Benefits Other than Pensions

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 is 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, 2012 and 2011:

| | <u>2012</u> | <u>2011</u> |
|---|----------------------|-------------------|
| Vendors and other | \$ 8,487,114 | 8,659,572 |
| Salaries and benefits | 5,623,853 | 6,042,147 |
| Due to State of New Jersey | 147,298 | 88,527 |
| Compensated absences - current portion | 3,028,585 | 2,763,645 |
| Accrued interest payable | 10,563,172 | 10,398,487 |
| Total accounts payable and accrued expenses | <u>\$ 27,850,022</u> | <u>27,952,378</u> |

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(8) Bonds Payable

Capital assets are financed through revenue bonds of the New Jersey Educational Facilities Authority (NJEFA) and the Camden County Improvement Authority (CCIA). The following obligations to the Authority were outstanding as of June 30, 2012 and 2011:

| | <u>Interest rate</u> | <u>2012</u> | <u>2011</u> |
|---|----------------------|-----------------------|--------------------|
| Series 1983 D Revenue Bonds, due serially to 2013 | 3.0% | \$ 355,000 | 525,000 |
| Series 2001 B Revenue Bonds, due serially to 2011 | 4.25% | — | 210,000 |
| Series 2002 K Revenue Bonds, due serially to 2012 | 4.0% | 340,000 | 665,000 |
| Series 2003 I Revenue Bonds, due serially to 2013 | 3.0% – 5.0% | 3,815,000 | 5,585,000 |
| Series 2004 C Revenue Bonds, due serially to 2014 | 4.0% – 5.0% | 6,655,000 | 8,680,000 |
| Series 2005 D Revenue Refunding Bonds, due serially to 2030 | 3.25% – 5.25% | 49,280,000 | 50,960,000 |
| Series 2006 G Revenue Bonds, due serially to 2031 | 4.0% – 4.5% | 65,090,000 | 66,530,000 |
| Series 2007 B Revenue Refunding Bonds, due serially to 2034 | 3.0% – 5.5% | 118,650,000 | 119,500,000 |
| Series 2008 B Revenue Refunding Bonds, due serially to 2027 | 4.0% – 5.0% | 35,205,000 | 35,205,000 |
| Series 2010 A Build America Bonds, due serially to 2035 | 5.055% - 7.847% | 93,885,000 | 93,885,000 |
| Series 2010 B due serially to 2016 | 1.50% - 5.00% | 14,365,000 | 19,280,000 |
| Series 2011 C Revenue Refunding Bonds, due serially to 2025 | 3.0% - 5.0% | <u>30,045,000</u> | <u>30,045,000</u> |
| | | 417,685,000 | 431,070,000 |
| (Less) plus: | | | |
| Deferred loss on bond refinancing | | (8,088,821) | (8,507,697) |
| Bond premium | | <u>1,478,607</u> | <u>1,809,953</u> |
| Total bonds payable | | <u>\$ 411,074,786</u> | <u>424,372,256</u> |

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Future annual debt service requirements approximate the following:

| | <u>Principal amount</u> | <u>Interest amount</u> | <u>Total amount</u> |
|----------------------|-----------------------------|----------------------------|-------------------------|
| Year ending June 30: | | | |
| 2013 | \$ 13,365,000 | 20,591,515 | 33,956,515 |
| 2014 | 14,170,000 | 20,018,490 | 34,188,490 |
| 2015 | 14,705,000 | 19,349,290 | 34,054,290 |
| 2016 | 15,385,000 | 18,610,140 | 33,995,140 |
| 2017 | 16,125,000 | 17,794,840 | 33,919,840 |
| 2018 – 2022 | 93,385,000 | 75,697,680 | 169,082,680 |
| 2023 – 2027 | 113,965,000 | 49,586,627 | 163,551,627 |
| 2028 – 2032 | 97,920,000 | 21,776,690 | 119,696,690 |
| 2033 – 2036 | 38,665,000 | 3,778,486 | 42,443,486 |
| | <u>\$ 417,685,000</u> | <u>247,203,758</u> | <u>664,888,758</u> |

Funds are on deposit with escrow agents to provide for the payment of principal, interest, and call premiums, when due, on 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, 2012 and 2011 and, therefore, are not reflected in the accompanying financial statements. The principal amounts of these bonds were approximately \$110,300,000 and \$161,530,000, respectively, as of June 30, 2012 and 2011.

(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, 2012 and 2011, the outstanding obligations were \$24,070 and \$80,281, 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, 2012 and 2011 were \$5,763,764 and \$6,093,944, 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, 2012 and 2011 were \$501,136 and \$628,920, respectively. This loan was non-interest bearing; however, the University has discounted this obligation at 5% equal to \$540,027. The discount is shown as deferred financing costs in the accompanying financial statements and is being amortized over the life of the loan.

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

| | <u>Principal amount</u> | <u>Interest amount</u> | <u>Total amount</u> |
|----------------------|-----------------------------|----------------------------|-------------------------|
| Year ending June 30: | | | |
| 2013 | \$ 499,989 | 282,721 | 782,710 |
| 2014 | 494,400 | 264,120 | 758,520 |
| 2015 | 508,013 | 244,980 | 752,993 |
| 2016 | 527,417 | 224,928 | 752,345 |
| 2017 | 425,356 | 203,625 | 628,981 |
| 2018 – 2022 | 2,860,489 | 645,027 | 3,505,516 |
| 2023 | 973,306 | 19,146 | 992,452 |
| | <u>\$ 6,288,970</u> | <u>1,884,547</u> | <u>8,173,517</u> |

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(10) Noncurrent Liabilities

Noncurrent liabilities activity for the years ended June 30, 2012 and 2011 was as follows:

| <u>2012</u> | <u>Beginning balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending balance</u> | <u>Current portion</u> |
|--|------------------------------|-------------------|-------------------|---------------------------|----------------------------|
| Student housing deposits | \$ 436,900 | — | 34,330 | 402,570 | — |
| Compensated absences | 5,248,159 | 3,107,861 | 2,803,308 | 5,552,712 | 3,028,585 |
| Other liabilities | 218,605 | 37,134 | — | 255,739 | — |
| Deposits held in custody for others | 1,258,542 | 4,997,215 | 4,808,770 | 1,446,987 | — |
| Bonds payable | 424,372,256 | — | 13,297,470 | 411,074,786 | 13,365,000 |
| Other long-term debt | 6,803,146 | — | 514,176 | 6,288,970 | 499,989 |
| Capital lease obligation | 79,170,299 | 33,900,000 | 928,487 | 112,141,812 | 1,972,990 |
| Total noncurrent liabilities | <u>\$ 517,507,907</u> | <u>42,042,210</u> | <u>22,386,541</u> | <u>537,163,576</u> | <u>18,866,564</u> |

| <u>2011</u> | <u>Beginning balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending balance</u> | <u>Current portion</u> |
|--|------------------------------|--------------------|-------------------|---------------------------|----------------------------|
| Student housing deposits | \$ 96,990 | 339,910 | — | 436,900 | — |
| Compensated absences | 4,747,935 | 3,030,567 | 2,530,343 | 5,248,159 | 2,763,645 |
| Other liabilities | 186,533 | 32,072 | — | 218,605 | — |
| Deposits held in custody for others | 1,269,139 | 3,999,546 | 4,010,143 | 1,258,542 | — |
| Bonds payable | 322,058,899 | 113,165,000 | 10,851,643 | 424,372,256 | 15,020,000 |
| Other long-term debt | 7,296,638 | — | 493,492 | 6,803,146 | 514,000 |
| Capital lease obligation | 43,101,380 | 37,400,000 | 1,331,081 | 79,170,299 | (46,918) |
| Total noncurrent liabilities | <u>\$ 378,757,514</u> | <u>157,967,095</u> | <u>19,216,702</u> | <u>517,507,907</u> | <u>18,250,727</u> |

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(11) Commitments and Contingencies

Operating Leases

The University leases certain space and equipment used in general operations. Rental expense was approximately \$469,000 and \$422,000 during fiscal years 2012 and 2011, respectively. The leases are noncancelable and have been classified as operating leases, which are expected to expire through 2016. Minimum annual rental commitments approximate the following:

| | Amount |
|----------------------|---------------|
| Year ending June 30: | |
| 2013 | \$ 311,000 |
| 2014 | 176,000 |
| 2015 | 26,000 |
| 2016 | 24,000 |

Capital Lease Obligation

In 2008, the University entered into a lease agreement with SORA Housing LLC (SORA). SORA constructed 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. Rental payments are due in semi-annual installments on September 1 and February 1, each year. The University has a capital lease payable as of June 30, 2012 and 2011 in the amount of \$68,503,194 and \$68,441,095, respectively.

In 2008, the University entered into a lease agreement with SORA RETAIL LLC (SORA). SORA constructed an approximately thirty six thousand square foot two story building for use as a university bookstore and other uses compatible with a university bookstore. The bookstore, which also contains a coffee shop, is being sub-leased to Barnes & Noble College Booksellers, Inc. Rental payments are due in monthly installments. The University has a capital lease payable as of June 30, 2012 and 2011 in the amount of \$10,714,023 and \$10,729,204, respectively.

In 2011, the University entered into a lease agreement with SORA A-1 Housing Urban Renewal Entity, LLC (SORA). SORA constructed a mixed-use building on land it owns in Glassboro, New Jersey. The building consists of a five-story, mid-rise apartment building with ground floor retail. Within this building, on the second through fifth floor, SORA constructed apartment units, classrooms, offices and other administrative spaces. The administrative space, in addition to classrooms and offices, includes lounges, study rooms, recreational rooms together with all common elements, including elevators, laundry facilities, recreational and fitness facilities and other amenities. The University's lease pertains to the apartment units and administrative areas only. The apartment units are being occupied by University honor students and consist of 280 beds. The facility became ready for occupancy for the Fall 2011 semester. No rent was due to SORA from the University until the units become ready for occupancy. Beginning in fiscal year 2012,

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rental payments are due in semi-annual installments for thirty years. The University has a capital lease payable as of June 30, 2012 and 2011 in the amount of \$32,924,595 and \$0, respectively.

In 2012, the University entered into a Master Lease Agreement to restructure the three leases above into a single lease. The Master Lease will be for a thirty year term thru 2042. The University has the option to purchase all, but not less than all, of the Premises at any time during the Term of the Lease in accordance with terms listed in the Agreement. If no election to purchase the Premises occurs during the term, upon the payment in full of all rent and other charges due under the Lease, the Premises shall be conveyed to the University at the conclusion of the term without additional consideration. The University received a landlord contribution of \$8,150,000 to help defray the costs of implementation of the property to its intended use.

In April 2012, the University entered into a lease agreement with Nexus Holdings, LLC (Nexus). Nexus is constructing a multi-level parking garage consisting of approximately 1,200 parking spaces. The construction started in July 2012 and is estimated to be completed for the Fall 2013 semester. The University's lease pertains to the use of 900 parking spaces as well as the use of all common areas of the parking garage. The term of the lease shall be for a period of thirty (30) years starting on the date when the facility becomes ready for occupancy. No rent will be due until the facility is ready for occupancy. At the completion of the lease term, the University will have the option of extending the lease for an additional four (4) terms of ten (10) years each. The University will have the option to purchase 900 spaces in the garage at fair market value at any time within the first five (5) years after the expiration of the initial term of the lease.

In April 2012, the University entered into a second lease agreement with Nexus to construct a five-story retail, classroom and office building. The construction started in July 2012 and is estimated to be completed for the Fall 2013 semester. The University's lease pertains to the second through fifth floors, which will contain classrooms and office space, as well as the central lobby of the building and the lobby and stairwells connecting the building to an adjacent parking garage. The first floor of the building will be for retail operations. The term of the lease will be for a period of twenty (20) years starting on the date when the facility becomes ready for occupancy (Commencement date). No rent will be due until the facility becomes ready for occupancy. The University will have the option to purchase the leased portion of the property, at the end of the term, for \$1.00 consideration.

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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: | | | |
| 2013 | 1,972,990 | 6,445,897 | 8,418,887 |
| 2014 | (1,728,303) | 10,472,121 | 8,743,818 |
| 2015 | (1,668,049) | 10,635,507 | 8,967,458 |
| 2016 | (1,566,501) | 10,792,191 | 9,225,690 |
| 2017 | (1,447,917) | 10,938,951 | 9,491,034 |
| 2018 – 2022 | (4,798,705) | 56,427,035 | 51,628,330 |
| 2023 – 2027 | 1,763,558 | 57,510,566 | 59,274,124 |
| 2028 – 2032 | 13,858,284 | 54,445,194 | 68,303,478 |
| 2033 – 2037 | 36,330,380 | 43,650,492 | 79,980,872 |
| 2038 – 2042 | 69,426,075 | 19,002,689 | 88,428,764 |
| | <u>\$ 112,141,812</u> | <u>280,320,643</u> | <u>392,462,455</u> |

Compensated Absences

The University recorded a liability for accumulated vacation time in the amount of approximately \$3,029,000 and \$2,764,000 as of June 30, 2012 and 2011, respectively, which is included in accounts payable and accrued expenses 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.

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 \$2,005,000 and \$1,926,000 as of June 30, 2012 and 2011, respectively, which is included in compensated absences in the accompanying statements of net assets.

During fiscal year 2010, 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 \$519,000 and \$558,000 as of June 30, 2012 and 2011, respectively, is recorded in compensated absences in the accompanying statements of net assets.

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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, 2012 and 2011:

| | 2012 | 2011 |
|--|---------------|-------------|
| Designated: | | |
| University operating reserve | \$ 7,949,065 | 6,708,947 |
| Self-supporting programs | 8,178,646 | 7,251,547 |
| Capital reserve for academic buildings and auxiliary enterprises | 9,523,216 | 18,585,719 |
| Board designated reserve for capital projects | 22,587,114 | — |
| Board designated reserve for Medical School | 19,600,220 | 19,600,220 |
| Reserve for debt service | 24,825,290 | 21,595,313 |
| Total unrestricted net assets | \$ 92,663,551 | 73,741,746 |

Risk Management

The University is exposed to various risks of loss. The University purchased and funds property and casualty insurances through a joint insurance program with the nine State of New Jersey Public Colleges and Universities. The University's risk management program involves insurance for all property risk in the joint insurance program and all liability risk and employee benefit exposures are self-funded programs maintained and administered by the State of New Jersey (including tort liability, auto liability, trustees and officers liability, workers' compensation, unemployment, temporary and long term disability, unemployment liability, life insurance and employee retirement programs).

Buildings, plants, and equipment and lost revenue are fully insured on an all risk replacement basis to the extent that losses exceed \$100,000 per occurrence with a per occurrence limit of \$1,500,000,000. Money and securities coverage provides for the actual loss in excess of \$25,000 with a per loss limit of \$5,000,000. In addition to the insurance purchased and maintained through the consortium, the University maintains an additional student professional liability policy to cover students participating in medical arts internships with a limit of \$1,000,000 per claim and a \$3,000,000 aggregate.

As an instrumentality of the State of New Jersey the liability of the University is subject to all of the provisions of the New Jersey Tort Claims Act (NJSA 59:1-1 et seq.), the New Jersey Contractual Liability Act (NJSA 59:13-1 et seq.), and the availability of appropriations. The Tort Claims Act also creates a fund and provides for payment of claims under the Act against the State of New Jersey or against its employees for which the State of New Jersey is obligated to indemnify against tort claims, which arise out of the performance of their duties.

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All insurance policies are renewed on an annual basis. All of the State of New Jersey self-funded programs are statutory with an annual appropriation provided by the legislature. There has been no decrease in insurance coverage during the current year. There have been no settlements in excess of insurance coverage in the past three years.

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.

(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, 2012 and 2011, the University received \$6,660,716 and \$8,169,404, 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, Restricted Nonexpendable Investments and Investments

Cash, cash equivalents, restricted nonexpendable investments and investments are carried in the financial statements at fair value and consist of the following as of June 30, 2012 and 2011:

| | 2012 | 2011 |
|---|----------------|-------------|
| Cash and cash equivalents | \$ 2,778,704 | 2,168,881 |
| Restricted cash and cash equivalents | 1,050,372 | 596,829 |
| Investments: | | |
| Bond mutual funds (domestic) | \$ 17,629,971 | 15,774,271 |
| Common stock mutual funds (domestic) | 48,439,925 | 52,002,160 |
| Common stock mutual funds (international) | 27,677,791 | 32,877,158 |
| Realty investments | 4,880,556 | 5,197,971 |
| Alternative investments | 42,313,380 | 41,742,745 |
| | \$ 140,941,623 | 147,594,305 |

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As of June 30, 2012 and 2011, the Foundation's investments are reported on the statements of net assets as follows:

| | 2012 | 2011 |
|--------------------------------------|----------------|-------------|
| Investments | \$ 21,969,473 | 29,178,238 |
| Restricted investments | 8,687,057 | 8,856,695 |
| Restricted nonexpendable investments | 110,285,093 | 109,559,372 |
| | \$ 140,941,623 | 147,594,305 |

For the years ended June 30, 2012 and 2011, the (decrease) increase in fair value on investments was (\$4,384,126) and \$22,437,548, respectively and the net realized gain on investments for June 30, 2012 and 2011 was \$612,064 and \$1,634,434, respectively. The calculation of realized gains and losses is independent of a calculation of the net change in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year were included as a change in the fair value of investments reported in the prior year and the current year.

Alternative investments are valued using current estimates of fair value obtained from the investment manager in the absence of readily determinable public market values. The estimated fair value of these investments is based on the most recent valuations provided by the external investment managers. Because alternative investments are not readily marketable, their estimated value is subject to uncertainty and therefore may differ from the value that would have been used had a ready market for such investments existed. Such difference could be material.

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.

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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 characteristics with regard to maturity, structure, duration, credit quality, sector distribution, etc. The Foundation's investments in bond mutual funds are unrated.

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. The Foundation's investments in bond mutual funds are all considered to have a maturity of one year or less.

Restricted Nonexpendable Net Assets

Restricted nonexpendable net assets as of June 30, 2012 and 2011 consist of the following:

| | 2012 | 2011 |
|--|----------------|-------------|
| Henry and Betty Rowan for general operations | \$ 97,000,118 | 97,000,118 |
| William G. Rohrer Professorial Chair in the College of Business | 1,000,000 | 1,000,000 |
| King Family Professorial Chair | 1,000,000 | 1,000,000 |
| Thomas N. Bantivoglio Honors Program for scholarships | 1,103,082 | 1,103,082 |
| Rohrer Scholars for scholarships | 1,080,832 | 1,080,832 |
| John B. Campbell Professorial Chair | 1,176,282 | 1,176,282 |
| Keith and Shirley Campbell Endowment to support library operations | 1,641,896 | 1,641,896 |
| Other endowment funds | 6,282,883 | 5,557,163 |
| | \$ 110,285,093 | 109,559,372 |

(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 the members of the SJTP Board of Directors are appointed by the Board of Trustees of the University, SJTP is considered a component unit of the University and is discretely presented as part of the University's financial statements.

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Related Party Transactions

Lease Agreements

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 and is for 50 years with a renewal term of 20 years. Under the lease agreement, SJTP is to pay \$1,000 each year for the first 5 years. After 5 years there is an option that the rent may increase to the market rate for properties of a similar purpose. The rental payment of \$1,000 is included in professional and other services expenses in the accompanying statements of revenues, expenses, and changes in net assets for fiscal years 2012 and 2011.

The University Board of Trustees approved a lease agreement by and between the University and the SJTP to lease the first floor of the Samuel H. Jones Innovation Center to support its educational mission. For the years ended June 30, 2012 and 2011, SJTP recognized \$483,576 and \$473,605, respectively, in rental income related to this lease agreement. The University also reimbursed SJTP \$72,651 and \$104,077 for utility charges associated with this lease for fiscal years 2012 and 2011, respectively.

Financing

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 year 2011, the SJTP made interest only payments on this loan at the rate of five percent annually.

During fiscal year 2010, the University Board of Trustees approved a bridge loan to SJTP in the amount of \$5,000,000. SJTP used the loan proceeds to refinance its \$5,000,000 debt payable to The Bank. SJTP made interest only payments on this loan in fiscal year 2011 at the rate of four percent annually. Interest only payments on amounts owed to the University ceased during fiscal year 2011 when the SJTP obtained permanent financing and repaid the amounts owed to the University. SJTP repaid 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 closing took place in October 2010.

Business Operating Agreement

SJTP and the University entered into a business operating agreement for the University to provide certain services and functions to SJTP. SJTP pays the University for these services and functions which include salaries and benefits of employees who perform functions for SJTP, accounting services, custodial services, repairs and maintenance, and other indirect charges. The charges amounted to \$287,777 and \$202,588 for fiscal years 2012 and 2011, respectively and are reflected in professional and other services expenses in the accompanying statements of revenues, expenses, and changes in net assets. Of these amounts, \$0 was due to the University as of June 30, 2012 and \$5,961 was outstanding as of June 30, 2011.

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(14) Subsequent Events

On August 22, 2012 Governor Christie signed the “New Jersey Medical and Health Sciences Education Restructuring Act” (Law) into law. The Law, which is effective July 1, 2013, transfers from The University of Medicine and Dentistry of New Jersey (UMDNJ) to Rowan University (Rowan), the School of Osteopathic Medicine in Stratford, NJ. The Law also establishes Rowan as a public research institution. Rowan is currently evaluating the impact of the School of Osteopathic Medicine and the public research status on its financial affairs and operations.

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| Federal grantor/pass-through grantor/program or cluster title | Federal CFDA/grant number | Current year expenditures |
|---|--|--------------------------------------|
| Research and Development Cluster: | | |
| National Institutes of Health: | | |
| ARRA – Sequence Activity Relationships in Host Defense Peptides | 93.701 | \$ 50,288 |
| CRAFT Behavior Therapy Phase 2 Study: TX Component & Behavior Therapy Dev of Group CM | 93.279 | 11,303 |
| Parents Translational Research Center | 93.279 | 27,318 |
| | | <u>38,621</u> |
| United States Department of Health and Human Services: | | |
| CMSRU Primary Care Academic Administrative Unit | 93.884 | 70,125 |
| National Science Foundation: | | |
| Passed through Rutgers, The State University of New Jersey: ERC Education and Outreach Efforts | 47.041 | 70,159 |
| CAREER: An Ensemble of Classifiers Based Approach for Incremental Learning | 47.041 | 942 |
| Enhanced Combustion with Nanosized Catalytically Active Particles | 47.041 | 169,209 |
| Magneto-Mechanical Coupling in Isotropic vs. Anisotropic, hard vs. Soft-Magnetic Magnetorheological Elastomers | 47.041 | 17,051 |
| | | <u>257,361</u> |
| Measuring Ice Abundances in Martian Clouds | 47.049 | 60,968 |
| Career Transfer: Project Energy: Exploring New Energy Alternatives Relevant to Generation Y | 47.049 | 42,476 |
| RUI: Characterization and Control of Electron Dynamics in an Ultra Cold Plasma | 47.049 | 37,646 |
| Passed through Drexel University: Systems to Increase Neutrino Detection Precision with the Double Chooz Detectors | 47.049 | 23,296 |
| Passed through Columbia University: Nanoscience & Engineering Center: Columbia Center of Electronic Transport in Molecular Nanostructures | 47.049 | 46,278 |
| Materials World Network: Study of lattice dynamics and phonon, magnon, and electromagnon interactions in rare earth manganite multiferroics | 47.049 | 18,186 |
| RUI: Coupled Atom-Polar Molecule Condensate System: A Theoretical Adventure | 47.049 | 25,341 |
| | | <u>254,191</u> |
| Organizing the Curriculum | 47.076 | 5,976 |
| Collaborative Research: TUES: Vertical Integration of Concepts & Laboratory Experiences in Biometrics Across the Four Year Electrical & Computer Engineering Curriculum | 47.076 | 21,438 |
| Music Signals & Systems: Undisciplined Education in a Multi Campus System | 47.076 | 20,099 |
| Hands on an Aquarium | 47.076 | 28,348 |
| Robot Hoedown and Rodeo at SIGSCE 2011 | 47.076 | 769 |
| Using a Large-Scale Green Design Project to Increase Student Learning and Retention | 47.076 | 50,251 |
| G-SPELL: Gender and Science Proficiency for English Language Learners | 47.076 | 54,121 |
| Scholarships to Enhance the High Tech Workforce of Southern New Jersey | 47.076 | 122,362 |
| | | <u>303,364</u> |

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Schedule of Expenditures of Federal Awards
Year ended June 30, 2012

| Federal grantor/pass-through grantor/program or cluster title | Federal CFDA/grant number | Current year expenditures |
|--|--|--------------------------------------|
| US-France Planning Visit: Study of Granular Material Crushing through Imaging and Discrete Element Modeling Simulation | 47.079 | \$ 609 |
| Collaborative Research: CI – Team Demonstration – Interactive and Collaborative Learning Environment Using Virtual Reality Games | 47.080 | 87,154 |
| ARRA – Empowering Students with engineering literacy and systematic problem solving through interactive and cost-effective games | 47.082 | 59,929 |
| ARRA – Incremental Learning from unbalanced data in nonstationary environments | 47.082 | 33,644 |
| ARRA – MRI-R2: Acquisition of an X-ray Computed tomography System with Loading Capabilities | 47.082 | 7,110 |
| | | <u>100,683</u> |
| National Aeronautics and Space Administration: | | |
| Speech Biometric for Safer Air Travel | 43.001 | 8,000 |
| Support of the 2012 Rowan Summer Research Program in Physics and Astronomy | 43.001 | 9,768 |
| | | <u>17,768</u> |
| U.S. Air Force: | | |
| Distortion Free Temporal Region Determination of Speech with Application to Speaker Identification | 12.800 | 41,322 |
| Federal Emergency Management Agency: | | |
| Passed through State of New Jersey Department of Environmental Protection: National Dam Safety Program Grant | 97.041 | 56,405 |
| U.S. Department of Energy: | | |
| Algae to Ethanol Research & Evaluation | 81.087 | 264,939 |
| Passed through State of New Jersey Bureau of Public Utilities: ARRA Energy Assurance Planning State of New Jersey Grant Program: Enhancing State Government Energy Assurance Capabilities and Planning for Smart Grid Resiliency | 81.041 | 346,926 |
| | | <u>611,865</u> |
| U.S. Department of Commerce: | | |
| Passed through Economic Development Administration: Application of a 3-D Virtual Reality Tool for Community Planning and Economic Development: Simulating Flooding and Remediation in Southern New Jersey Communities | 11.307 | 232,207 |
| U.S. Department of Transportation: | | |
| Passed through State of New Jersey Department of Transportation: Reclaimed Asphalt Hot Mix | 20.701 | 55,498 |
| NJ DOT – Recycled Concrete | 20.701 | 32,779 |
| | | <u>88,277</u> |
| Restricted Use License Program for Suspended NJ Drivers | 20.237 | 21,110 |
| Teen Driver Safety Metrics | 20.237 | 122,384 |
| | | <u>143,494</u> |

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Schedule of Expenditures of Federal Awards
Year ended June 30, 2012

| <u>Federal grantor/pass-through grantor/program or cluster title</u> | <u>Federal CFDA/grant number</u> | <u>Current year expenditures</u> |
|---|--|--------------------------------------|
| Federal Aviation Administration: | | |
| Performance of Unbound Layers of a Flexible Pavement System During Aircraft Landing | 20.108 | \$ 27,380 |
| Evaluate the Impact of Concrete Material Properties, Joint Type and Support Condition on Airport Pavement Design | 20.108 | <u>57,896</u> |
| | | <u>85,276</u> |
| U.S. Environmental Protection Agency: | | |
| Sustainable Design Tollbox for Pharmaceutical Manufacturing Passed through Camden Soil Conservation District: | 66.606 | 63,739 |
| Upper Mantua Creek Implementation | 66.606 | <u>109,909</u> |
| | | <u>173,648</u> |
| Peanut Shell Fuel for the Gambia | 66.516 | <u>4,647</u> |
| Total Research and Development Cluster | | <u>2,617,305</u> |
| U.S. Department of Education: | | |
| Student Financial Assistance Cluster: | | |
| Federal Direct Loan Program: | | |
| Parent Loans | 84.268 | 20,196,888 |
| Graduate Loans | 84.268 | 322,435 |
| Subsidized Loans | 84.268 | 26,914,372 |
| Unsubsidized Loans | 84.268 | <u>28,349,824</u> |
| Total Federal Direct Loan Program | | <u>75,783,519</u> |
| Federal Supplemental Educational Opportunity Grant | 84.007 | 469,958 |
| Federal Work Study | 84.033 | 824,305 |
| Education Grants (TEACH Grants) | 84.379 | 148,720 |
| Federal Pell Grant Program | 84.063 | <u>13,109,901</u> |
| Total Student Financial Assistance Cluster | | <u>90,336,403</u> |
| Upward Bound Program | 84.047 | 179,162 |
| Upward Bound Program for ELL | 84.047 | <u>495</u> |
| | | <u>179,657</u> |
| Improving Teacher Quality State Grants: | | |
| Improving Partnerships | 84.367 | 353,058 |
| Consortium to Prevent Alcohol | 84.184 | 9,028 |
| Teacher Quality Partnership Grants: | | |
| Garden State Partnership | 84.336 | 541,235 |
| Passed through State of New Jersey Department of Education: | | |
| Math and Science Partnership Program | 84.366 | 628,663 |

ROWAN UNIVERSITY
(A Component Unit of the State of New Jersey)
Schedule of Expenditures of Federal Awards
Year ended June 30, 2012

| <u>Federal grantor/pass-through grantor/program or cluster title</u> | <u>Federal CFDA/grant number</u> | <u>Current year expenditures</u> |
|---|--|--------------------------------------|
| The Social Norms Project | 84.186 | \$ 1,358 |
| Passed through New Jersey Commission on Higher Education: | | |
| C.H.A.M.P. / GEAR-UP Program at Rowan University | 84.334 | 381,683 |
| AIM High Science & Technology Academy | 84.378 | 118,314 |
| College Access Challenge Grant Program | 84.378 | <u>20,048</u> |
| | | <u>138,362</u> |
| Total U.S. Department of Education | | <u>92,569,447</u> |
| U.S. Department of Justice: | | |
| Passed through State of New Jersey Department of Law and Public Safety: | | |
| ABC – Enforcing the Underage Drinking Laws Program | 16.727 | 19,746 |
| U.S. Department of Transportation: | | |
| The Yield to Every Pedestrian Program | 20.600 | 25,940 |
| | | <u>25,940</u> |
| Total expenditures of Federal awards | | <u>\$ 95,232,438</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)
Schedule of Expenditures of State of New Jersey Awards
Year ended June 30, 2012

| 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: | | | | |
| Passed through Rutgers, The State University of New Jersey: | | | | |
| Effect of Warm Asphalt Mix on Recycled Asphalt Pavement in HMA | Task Order 218 | \$ 158,935 | 05/01/10 – 09/30/12 | \$ 34,214 |
| Correlation of MSCR Results in Polymer Modification Binder | Task Order 18 | 398,926 | 07/01/09 – 06/30/12 | 141,239 |
| Passed through New Jersey Institute of Technology: | | | | |
| Talent Network Marketing | NJIT - 995712 | 20,000 | 12/01/11 – 06/30/12 | 19,751 |
| Field Methods for Determining Lead Content in Bridge Paint Removal Waste | C-08-19 | 28,879 | 11/01/09 – 10/31/11 | 21,419 |
| Total Research and Development Cluster | | | | 216,623 |
| New Jersey Department of Military & Veterans Affairs: | | | | |
| Software Implementation & Energy Audit | NJDMAVA #1 | 16,880 | 08/01/10 – 08/31/11 | 5,197 |
| Rowan University G.I.S. Intern | 3620-100-067-3620-129-P902-3620 | 125,000 | 05/15/10 – 12/31/15 | 90,345 |
| Total New Jersey Department of Military & Veterans Affairs | | | | 95,542 |
| New Jersey Commission on Higher Education: | | | | |
| C.H.A.M. P. / GEAR-UP Program at Rowan University | 11YR6 809170 0004 | 395,000 | 07/01/11 – 06/30/12 | 387,215 |
| Total New Jersey Commission on Higher Education | | | | 387,215 |
| New Jersey Department of State: | | | | |
| NJ State Council of the Arts | | | | |
| New Jersey State Council on the Arts - Project Support | 1205X030021 | 9,750 | 07/01/11 – 06/30/12 | 9,750 |
| Total New Jersey Department of State | | | | 9,750 |
| Student Financial Assistance Cluster: | | | | |
| New Jersey Commission on Higher Education: | | | | |
| Educational Opportunity Fund Summer (Camden Campus) | 2401-100-2401-002 | 115,771 | 06/01/11 – 08/31/11 | 115,200 |
| Educational Opportunity Fund Summer (Main Campus) | 2401-100-2401-002 | 350,890 | 06/01/11 – 08/31/11 | 350,022 |
| Educational Opportunity Fund | 2401-100-074-001 | 663,300 | 07/01/11 – 06/30/12 | 663,300 |
| GEAR-UP | 0001055904 | 55,500 | 07/01/11 – 06/30/12 | 55,500 |
| Higher Education Student Assistance Authority: | | | | |
| Tuition Aid Grant Program | 2405-100-074-2405-007 | 11,535,547 | 07/01/11 – 06/30/12 | 11,523,239 |
| Edward J. Bloustein Distinguished Scholars Program | 2405-100-074-DS10-278 | 101,370 | 07/01/11 – 06/30/12 | 101,370 |
| Urban Scholars Program | 2405-100-074-US11-278 | 57,195 | 07/01/11 – 06/30/12 | 57,195 |
| New Jersey College Loans to Assist State Students | CLESTR05 | 10,225,678 | 07/01/11 – 06/30/12 | 7,684,920 |
| New Jersey Student Tuition Assistance Reward Scholarship Program | 2405-100-074-2405-313 | 1,352,126 | 07/01/11 – 06/30/12 | 923,976 |
| Total Student Financial Assistance Cluster | | | | 21,474,722 |

ROWAN UNIVERSITY
(A Component Unit of the State of New Jersey)
Schedule of Expenditures of State of New Jersey Awards
Year ended June 30, 2012

| State of New Jersey grantor/pass-through grantor/program or cluster title | Grant/account number | Grant amount | Grant period | Current year expenditures |
|--|-------------------------|-----------------|---------------------|------------------------------|
| New Jersey Department of the Treasury: | | | | |
| Educational Opportunity Fund – Article IV: | | | | |
| Academic Year – Camden Campus | 2401-100-2401-002 | \$ 177,803 | 07/01/10 – 06/30/11 | \$ 26,622 |
| Academic Year – Camden Campus | 2401-100-2401-002 | 177,803 | 07/01/11 – 06/30/12 | 174,929 |
| Academic Year – Main Campus | 2401-100-2401-002 | 261,700 | 07/01/11 – 06/30/12 | <u>228,104</u> |
| Total New Jersey Department of the Treasury | | | | <u>429,655</u> |
| New Jersey Department of Law and Public Safety: | | | | |
| Aggressive Driving Program | PT11-03-06-01 | 67,924 | 10/01/10 – 09/30/11 | <u>64,952</u> |
| Total New Jersey Department of Law and Public Safety | | | | <u>64,952</u> |
| New Jersey Commission on Science & Technology: | | | | |
| High Technology Incubator Program | 10-2042-014-15 | 100,000 | 01/01/10 – 12/31/11 | <u>57,606</u> |
| Total New Jersey Commission on Science & Technology | | | | <u>57,606</u> |
| New Jersey Department of State: | | | | |
| State of New Jersey Appropriation | — | 49,123,000 | 07/01/11 – 06/30/12 | <u>49,123,000</u> |
| Total New Jersey Department of State | | | | <u>49,123,000</u> |
| Interdepartmental Accounts: | | | | |
| State Fringe Benefits Other Than FICA | — | 25,531,835 | 07/01/11 – 06/30/12 | 25,531,835 |
| FICA – State Colleges and Universities: | | | | |
| Reimbursement Program | — | 6,982,393 | 07/01/11 – 06/30/12 | <u>6,982,393</u> |
| Total Interdepartmental Accounts | | | | <u>32,514,228</u> |
| Total expenditures of State of New Jersey awards | | | | <u>\$ 104,373,293</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, 2012

(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 2012 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, 2012 was \$527,096.

(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, 2012.

(4) Subrecipients

Of the Federal expenditures presented in the schedule of expenditures of Federal awards, the University provided Federal awards to subrecipients as follows:

| Program or cluster title | Federal CFDA number | Amount provided to subrecipients |
|--|------------------------------------|---|
| Restricted Use License Program for Suspended NJ Drivers | 20.237 | \$ 21,038 |
| Teen Driver Safety Metrics | 20.237 | 100,944 |
| Collaborative Research: Vertical Integration in Biometrics | 47.076 | 2,500 |
| Hands on an Aquarium | 47.076 | 14,711 |
| Collaborative Research: Team Demonstration - Virtual Games | 47.080 | 59,918 |
| ARRA - Empowering Students Through Games | 47.082 | 5,822 |



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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, 2012, which collectively comprise the University's basic financial statements, and have issued our report thereon dated October 25, 2012. 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

Management of the University is responsible for establishing and maintaining effective 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 opinions 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 25, 2012



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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 the University's major Federal and State of New Jersey programs for the year ended June 30, 2012, 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, 2012 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 referred to above 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, 2012. 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 12-1.

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, 2012 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 12-1. 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.



Schedules of Expenditures of Federal and State of New Jersey Awards

We have audited the financial statements of the business-type activities and the aggregate discretely presented component units of the University as of and for the year ended June 30, 2012, and have issued our report thereon dated October 25, 2012 which contained unqualified opinions on those financial statements. Our audits were conducted for the purpose of forming our opinions on the financial statements that collectively comprise the University's basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to October 25, 2012. The accompanying schedules of expenditures of Federal and State of New Jersey awards are presented for purposes of additional analysis as required by Federal OMB Circular A-133 and New Jersey OMB Circular 04-04 and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2012 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2012 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2012 basic financial statements or to the 2012 basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of expenditures of Federal and State of New Jersey awards are fairly stated in all material respects in relation to the 2012 basic financial statements as a whole.

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 25, 2013

ROWAN UNIVERSITY
(A Component Unit of the State of New Jersey)
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

(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, 2012, which collectively comprise the University's basic financial statements.
- (b) The audit disclosed no material weaknesses and no significant deficiencies in internal control in connection with the basic financial statements of the University as of and for the year ended June 30, 2012.
- (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, 2012.
- (d) The audit disclosed no material weaknesses in connection with major Federal or State of New Jersey programs of the University for the year ended June 30, 2012. One significant deficiency (12-1) was reported in connection with a major Federal program and no significant deficiencies were reported in connection with major State of New Jersey programs of the University for the year ended June 30, 2012.
- (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, 2012.
- (f) There was one audit finding (12-1) 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, 2012.
- (g) The major Federal and State of New Jersey programs of the University for the year ended June 30, 2012 were as follows:

Federal:

- Student Financial Assistance Cluster (various CFDA numbers)
- Research and Development Cluster (various CFDA numbers)
- Teacher Quality Partnership Grants (CFDA # 84.336)

State of New Jersey:

- Student Financial Assistance Cluster
 - State Paid Fringe Benefits Other Than FICA
 - FICA – State Colleges and Universities Reimbursement Program
- (h) The dollar thresholds used to distinguish between type A and type B programs were \$300,000 for Federal awards and \$1,657,509 for State of New Jersey awards for the year ended June 30, 2012.

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

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

(i) The University qualified as a low risk auditee for Federal and State of New Jersey awards for the year ended June 30, 2012.

(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:

12-1 Procurement, Suspension and Debarment

U.S. Department of Energy:

Pass-through the State of New Jersey Bureau of Public Utilities:

Research and Development Cluster:

ARRA – Energy Assurance Planning State of New Jersey Grant Program: Enhancing State Government Energy Assurance Capabilities and Planning for Smart Grid Resiliency (CFDA # 81.041)

Federal Grant Number: EA01

Criteria:

Suspension and Debarment

Governmentwide requirements for nonprocurement suspension and debarment are contained in the OMB guidance in 2 CFR part 180, which implements Executive Orders 12549 and 12689, Debarment and Suspension. The OMB guidance, which superseded the suspension and debarment common rule published November 26, 2003, is substantially the same as that rule.

Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. “Covered transactions” include those procurement contracts for goods and services awarded under a nonprocurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other specified criteria. 2 CFR section 180.220 of the governmentwide nonprocurement debarment and suspension guidance contains those additional limited circumstances. All nonprocurement transactions (i.e., subawards to subrecipients), irrespective of award amount, are considered covered transactions.

When a non-federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the *Excluded Parties List System (EPLS)* maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity (2 CFR section 180.300). The information contained in the EPLS is available in printed and electronic formats. The printed version is published monthly. Copies may be obtained by purchasing a yearly subscription from the Superintendent of Documents, U.S. Government

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

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Printing Office, Washington, DC 20402, or by calling the Government Printing Office Inquiry and Order Desk at (202) 783-3238. The electronic version can be accessed on the Internet (<http://epls.arnet.gov>).

Condition:

We selected one procurement for purposes of testing the University's competitive bidding and contracting process. For the one procurement selected, the University could not provide evidence that the vendor was not federally suspended or debarred. Based on our audit procedures, the vendor was not listed on the Excluded Parties List System (EPLS) maintained by the General Services Administration, and therefore, does not appear to be suspended or debarred. The total payments made to the vendor from federal awards were \$62,585 for fiscal year 2012.

Cause:

The University's current policy is to perform a check of the EPLS website to ensure that vendors are not federally suspended or debarred prior to entering into a contractual agreement. However, the University did not maintain screen prints or other documentation that the EPLS check was properly performed.

Effect:

The University does not have evidence of performing suspension and debarment checks prior to entering into contracts with vendors.

Questioned Costs:

There are no known questioned costs related to this finding as the vendor was not suspended or debarred based on the results of our audit procedures.

Recommendation:

We recommend that the University strengthen its current policies and procedures to maintain a screen print or other documentation as evidence that the EPLS check was properly performed.

View of Responsible Officials:

The University's current policy is to perform a check of the EPLS website to ensure that vendors are not federally suspended or debarred prior to entering into a contractual agreement. The University does perform this check but has not maintained printed proof that this check was performed. The University will revise its current policy and maintain printed proof of the performance of this check in the future.

ROWAN UNIVERSITY
(A Component Unit of the State of New Jersey)
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

State of New Jersey Awards:

No findings or questioned costs required to be reported.



CORRECTIVE ACTION PLAN

12-1 Procurement, Suspension and Debarment

U.S. Department of Energy

Pass-through the State of New Jersey Bureau of Public Utilities:

Research and Development Cluster:

ARRA – Energy Assurance Planning State of New Jersey Grant Program: Enhancing State Government Energy Assurance Capabilities and Planning for Smart Grid Resiliency (CFDA # 81.041)

The University has implemented a twofold process to be able to produce proof of non-debarment and suspension in a manner that allows for adhering to this requirement.

Part one is that all contracts awarded per a bid process or written quote process have as a necessary paperwork requirement that they certify that they are not suspended or federally disbarred.

Part two is that all PO's that will exceed \$25,000 will be checked against the data base and a screen shot proving non-disbarment will be attached to the PO.

Contact: Christine M. Brasteter, Esq.
Senior Director of Contracting and Procurement
Phone: (856) 256-5173



SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

11-1 Section 1512 Reporting

National Science Foundation:

Empowering Students with engineering literacy and systematic problem solving through interactive and cost-effective games (CFDA # 47.082)

Corrective Action Plan:

The University invoiced the correct expenditure amount for the quarter and the expenditure amount was corrected in the next quarterly report. The University will add an additional review to the ARRA reporting process to further strengthen its efforts to provide accurate information and avoid posting mistakes.

Current Year Status:

The University implemented its corrective action plan and is in compliance with the federal regulations.