



**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, 2014

(With Independent Auditors' Reports Thereon)

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

**Table of Contents**

	<b>Page</b>
Independent Auditors' Report on Basic Financial Statements	1
Management's Discussion and Analysis (Unaudited)	3
Basic Financial Statements:	
Statement of Net Position as of June 30, 2014	14
Statement of Revenues, Expenses, and Changes in Net Position for the year ended June 30, 2014	15
Statement of Cash Flows for the year ended June 30, 2014	16
Notes to Basic Financial Statements	17
Schedule of Expenditures of Federal Awards for the year ended June 30, 2014	42
Schedule of Expenditures of State of New Jersey Awards for the year ended June 30, 2014	47
Notes to Schedules of Expenditures of Federal and State of New Jersey Awards	51
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 <i>Government Auditing Standards</i>	53
Independent Auditors' Report on Compliance for Each Major Federal and State of New Jersey Program; Report on Internal Control Over Compliance; and Report on Schedules of Expenditures of Federal and State of New Jersey Awards Required by Federal OMB Circular A-133 and New Jersey OMB Circular 04-04	55
Schedule of Findings and Questioned Costs for the year ended June 30, 2014	58



**KPMG LLP**  
New Jersey Headquarters  
51 John F. Kennedy Parkway  
Short Hills, NJ 07078-2702

## **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 year ended June 30, 2014 and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### **Opinions**

In our opinion, 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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.



## **Emphasis of Matter**

### ***Adoption of New Accounting Pronouncements***

As discussed in notes 1 and 12 to the basic financial statements, in 2014, the University adopted Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities* and Governmental Accounting Standards Board Statement No. 69, *Governmental Combinations and Disposal of Government Operations*. Our opinions are not modified with respect to these matters.

## **Other Matters**

### ***Required Supplementary Information***

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3 through 13 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.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2014 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* in considering the University's internal control over financial reporting and compliance.

**KPMG LLP**

October 31, 2014

**ROWAN UNIVERSITY**  
(A Component Unit of the State of New Jersey)  
Management's Discussion and Analysis (Unaudited)  
June 30, 2014

**Introduction**

This section of Rowan University's (the University) financial statements presents our discussion and analysis of the University's financial performance for the fiscal year ended June 30, 2014 with comparative information for the year ended June 30, 2013. 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 note disclosures, along with the discussion and analysis.

**University Overview**

Rowan University is a medium-sized public research 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 14,700 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 46 master's-level programs, 27 graduate-level certificate programs, three post-master's, three professional post-master's, four doctoral programs, including the M.D. and D.O. degrees from its two medical schools. 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 (CMSRU) and Rowan University School of Osteopathic Medicine (Rowan SOM).

On July 1, 2013 the "New Jersey Medical and Health Sciences Education Restructuring Act" became effective and the School of Osteopathic Medicine (SOM) in Stratford, NJ (formerly under The University of Medicine and Dentistry of New Jersey) was integrated with the University. As a result of this integration, Rowan receives an additional State appropriation to help support SOM operations and was designated as a public research institution. The amounts presented in the management's discussion and analysis, for the fiscal year ended June 30, 2013, were adjusted to reflect the unaudited activities of SOM for comparative purposes.

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 in its "Best in the Northeast" section of its website feature "2014 Best Colleges: Region by Region" and included the Rohrer College of Business in its edition of the "Best 296 Business Schools" out of more than 1,800 schools nationally.

The State of New Jersey (the State) recognizes the University as the state's second comprehensive research university and 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: Statement of Net Position; Statement of Revenues, Expenses and Changes in Net Position; and Statement 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,

**ROWAN UNIVERSITY**  
(A Component Unit of the State of New Jersey)  
Management's Discussion and Analysis (Unaudited)  
June 30, 2014

liabilities, deferred outflows and deferred inflows of resources, revenues, expenses, and cash flows on an entity-wide basis.

**Statement of Net Position**

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

Net position is one indicator of the current financial condition of the University while the change in net position 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 Position 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 Position provides a picture of the net position (assets plus deferred outflows of resources minus liabilities minus deferred inflows of resources) and their availability for expenditure by the institution.

Net position is divided into three major categories. The first category, net investment in capital assets provides the institution's equity in property, plant, and equipment owned by the institution. The next category is restricted net position, expendable. Expendable restricted net position is 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 position. Unrestricted net position is available to the institution for any lawful purpose of the institution.

**ROWAN UNIVERSITY**  
(A Component Unit of the State of New Jersey)  
Management's Discussion and Analysis (Unaudited)  
June 30, 2014

A summary of the University's assets, liabilities, and net position as of June 30, 2014 and 2013 follows (2013 balances were adjusted to include the adoption of GASB 65 and the unaudited activities of SOM for comparative purposes):

	<u>2014</u>	<u>2013</u>
	(In thousands)	
Current assets	\$ 223,092	201,799
Capital assets	672,026	634,779
Other noncurrent assets	<u>35,938</u>	<u>27,315</u>
Total assets	931,056	863,893
Deferred outflows	<u>18,596</u>	<u>7,958</u>
Total assets and deferred outflows of resources	<u>\$ 949,652</u>	<u>871,851</u>
Current liabilities	\$ 88,556	72,065
Noncurrent liabilities	<u>625,971</u>	<u>565,890</u>
Total liabilities	714,527	637,955
Deferred inflows of resources	<u>264</u>	<u>288</u>
Total liabilities and deferred inflows of resources	<u>\$ 714,791</u>	<u>638,243</u>
Net position:		
Net investment in capital assets	\$ 91,062	77,651
Restricted expendable	27,404	32,738
Unrestricted	<u>116,395</u>	<u>123,219</u>
Total net position	<u>\$ 234,861</u>	<u>233,608</u>

Current assets consist of cash and cash equivalents, deposits held by trustees under bond agreements for current principal and interest payments, receivables, current portion of investments and other current assets. Noncurrent assets consist of deposits held by trustees under agreements for capital activities, investments, loans receivable and net capital assets. Deferred outflows (inflows) of resources consist of loss (gain) on bond refinancing. Current liabilities consist of accounts payable and accrued expenses, unearned revenue and the current portion of bonds payable, other long-term debt and capital lease obligations. Noncurrent liabilities consists of student deposits, compensated absences, unearned revenue, other liabilities, deposits held in custody for others, bonds payable and other long-term debt.

***Fiscal Year 2014 Compared to 2013***

The University's total assets and deferred inflows of resources increased \$77.8 million from \$871.9 million at June 30, 2013 to \$949.7 million at June 30, 2014. Current assets increased \$21.3 million, capital assets increased \$37.3 million, other noncurrent assets increased \$8.6 million and deferred outflows of resources increased \$10.6 million. Within current assets, cash and cash equivalents increased \$18.1 million. \$10.7 million of this increase was a result of the sale of investments.

**ROWAN UNIVERSITY**  
(A Component Unit of the State of New Jersey)  
Management's Discussion and Analysis (Unaudited)  
June 30, 2014

Capital assets increased \$37.3 million and included construction and renovation projects, deferred maintenance projects, and two new capital leases. Within capital assets, the University invested over \$31 million in purchases of capital assets and acquired over \$38 million in capital assets through capital lease obligations. Depreciation expense was over \$33.5 million.

Other noncurrent assets increased \$8.6 million for the year ended June 30, 2014. Other noncurrent assets increased primarily due to the deposit of grant monies received under the New Jersey Higher Education Capital Facilities Grant Program, to trustee accounts. Deposits with trustees transferred to the University on July 1, 2013 were used to refinance debt. These two transactions resulted in an increase of approximately \$19.5 million in deposits held by trustees. This increase in noncurrent assets is being offset by the sale of \$10.7 million in investments during the fiscal year.

Deferred outflows of resources increased due to an \$11.7 million loss on the refinancing of the SOM debt. This loss is being amortized annually over the life of the bonds.

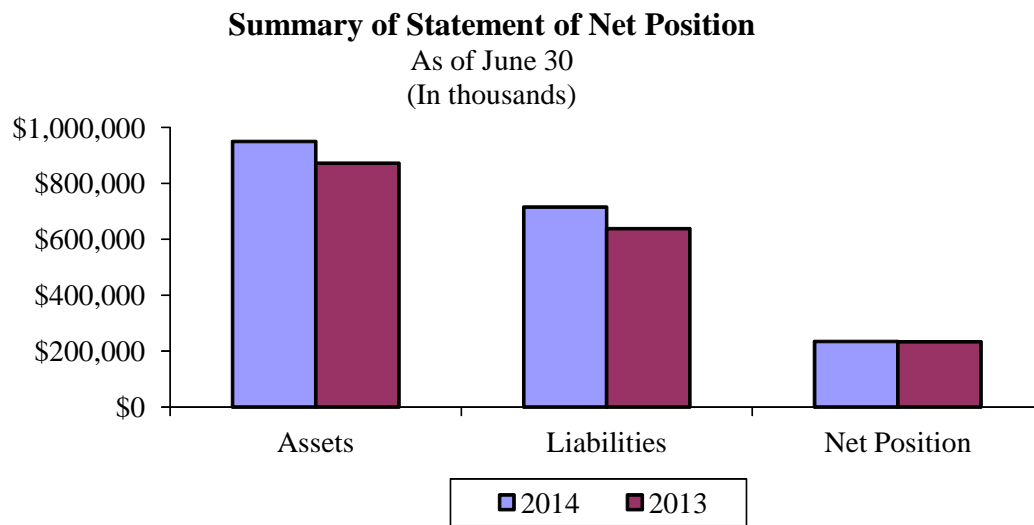
Current liabilities increased \$16.5 million. Approximately \$10.5 million of this increase can be attributed to an increase in unearned revenue. Unearned revenue consists primarily of grant funds received but not as yet expended as well as summer 2014 and fall 2014 tuition received, net of related waivers and receivables.

Noncurrent liabilities increased \$60 million. This increase is due primarily to the two new capital lease obligations of \$38.4 million as well as an increase in unearned revenue resulting from received but unspent monies from the Higher Education Capital Facilities Grant Program in the amount of \$20.8 million.



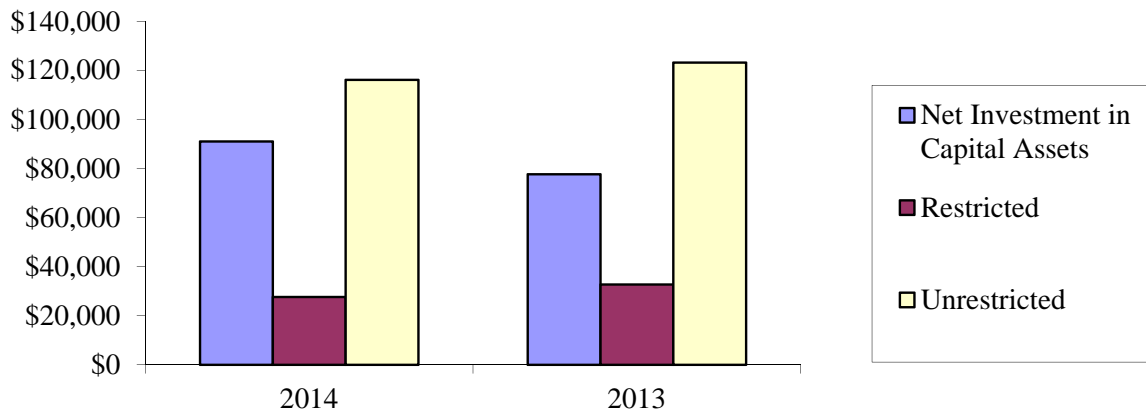
**ROWAN UNIVERSITY**  
(A Component Unit of the State of New Jersey)  
Management's Discussion and Analysis (Unaudited)  
June 30, 2014

Total net position increased by \$1.3 million at June 30, 2014 compared to June 30, 2013. Unrestricted net position decreased \$6.8 million. The decrease is primarily the result of the funding of capital projects from unrestricted funds.



**ROWAN UNIVERSITY**  
(A Component Unit of the State of New Jersey)  
Management's Discussion and Analysis (Unaudited)  
June 30, 2014

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



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

The year to year changes in total net position as presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Position. 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.

**ROWAN UNIVERSITY**  
(A Component Unit of the State of New Jersey)  
Management's Discussion and Analysis (Unaudited)  
June 30, 2014

The Statement of Revenues, Expenses, and Changes in Net Position presents the University's results of operations. A summary of the University's revenues, expenses, and changes in net position for the years ended June 30, 2014 and 2013 follows (2013 balances were adjusted to include the adoption of GASB 65 and the unaudited activities of SOM for comparative purposes):

	<u>2014</u>	<u>2013</u>
	(In thousands)	
Operating revenues:		
Net student revenues	\$ 172,521	165,404
Grants	46,811	48,127
Professional services and contracts	60,176	52,693
Other	<u>12,205</u>	<u>12,152</u>
Total operating revenues	291,713	278,376
Operating expenses	<u>427,614</u>	<u>400,691</u>
Operating loss	<u>(135,901)</u>	<u>(122,315)</u>
Nonoperating revenues (expenses):		
State appropriations	158,062	124,789
Gifts	8,526	8,279
Investment income	631	665
Interest on capital asset related debt	(36,175)	(27,387)
Other nonoperating revenues (expenses), net	<u>(1,856)</u>	<u>2,173</u>
Net nonoperating revenues (expenses)	<u>129,188</u>	<u>108,519</u>
Loss before other revenues	(6,713)	(13,796)
Capital grants	<u>7,966</u>	<u>6,315</u>
Increase (decrease) in net position	1,253	(7,481)
Net position – beginning of year	<u>233,608</u>	<u>241,089</u>
Net position – end of year	<u>\$ 234,861</u>	<u>233,608</u>

***Fiscal Year 2014 Compared to 2013***

The University's net position increased \$1.3 million in fiscal year 2014. This net amount represents the total revenue available to the University of \$466.9 million compared to total expenses of \$465.6 million.

**ROWAN UNIVERSITY**  
(A Component Unit of the State of New Jersey)  
Management's Discussion and Analysis (Unaudited)  
June 30, 2014

**Revenues**

To fund its operations, the University receives revenues from a variety of sources including tuition and fees, auxiliary services, grants, professional services and contracts, State of New Jersey appropriations, gifts from the Rowan University Foundation and investment income. The University is continuing to seek additional funds from all possible sources to adequately fund operating activities. A summary of operating revenues for the years ended June 30, 2014 and 2013 follows:

	<b>2014</b>		<b>2013</b>	
	<b>Amount</b>	<b>Percentage of total</b>	<b>Amount</b>	<b>Percentage of total</b>
	(Amounts in thousands)			
Operating revenues:				
Net student revenues	\$ 172,521	59.1%	\$ 165,404	59.4%
Grants	46,811	16.1	48,127	17.3
Professional services and contracts	60,176	20.6	52,693	18.9
Other	12,205	4.2	12,152	4.4
Total operating revenues	<u>\$ 291,713</u>	<u>100.0%</u>	<u>\$ 278,376</u>	<u>100.0%</u>

**Operating Revenues**

***Fiscal Year 2014 Compared to 2013***

Operating revenues for fiscal year ended June 30, 2014 increased \$13.3 million over fiscal year 2013. The majority of this increase is due to increases in net student revenues of \$7.1 million as well as a \$7.5 million increase in professional services and contracts. The increase in net student revenues is due to increases in enrollment and tuition and fee rates.

**Nonoperating Revenues (Net)**

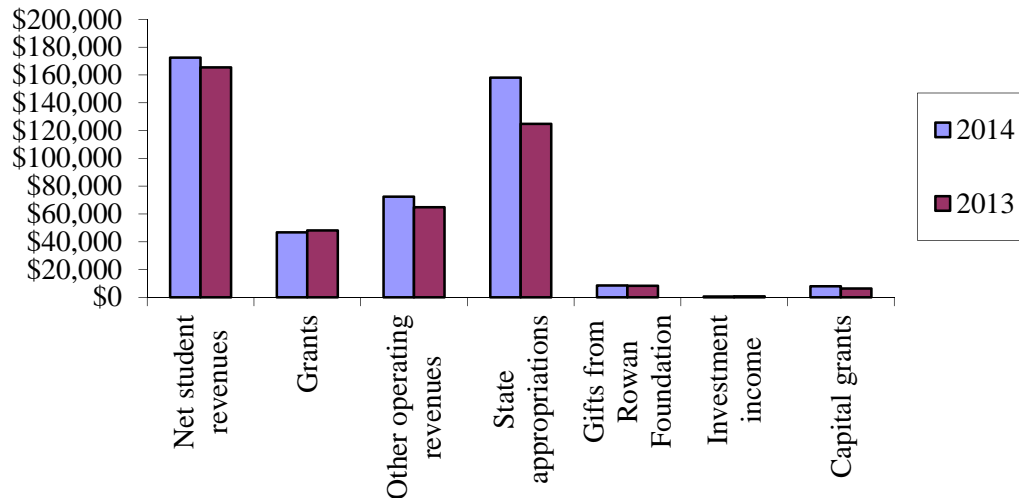
***Fiscal Year 2014 Compared to 2013***

Nonoperating revenues (net) for the years ended June 30, 2014 and 2013 totaled \$129.2 million and \$108.5 million, respectively, which is a \$20.7 million increase. The primary sources of nonoperating revenues were State of New Jersey appropriations, which increased \$33.3 million as the University recorded \$158.1 million for fiscal year 2014 and \$124.8 million for fiscal year 2013, as well as gifts from the Rowan University Foundation in the amount of \$8.5 million for fiscal year 2014 and \$8.3 million for fiscal year 2013 an increase of \$0.2 million. State of New Jersey appropriations include the University base appropriation as well as appropriations for the Cooper Medical School of Rowan University and the School of Osteopathic Medicine and the State paid fringe benefits. Interest payments on capital asset related debt increased \$8.8 million from \$27.4 million at June 30, 2013 to \$36.2 million at June 30, 2014. Other nonoperating revenues (expenses), net were \$(1.9) million and \$2.2 million, respectively for fiscal years 2014 and 2013. The majority of this change can be attributed to a one-time construction settlement of \$1.7 million recognized in fiscal year 2013 coupled with approximately \$1.2 million in bond issuance costs recognized in fiscal year 2014 related to the refinancing of debt.

**ROWAN UNIVERSITY**  
(A Component Unit of the State of New Jersey)  
Management's Discussion and Analysis (Unaudited)  
June 30, 2014

Capital grants increased in fiscal year 2014 by \$1.7 million primarily due to the University's capital grants awarded through the New Jersey Capital Facilities Grant Program.

**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, 2014 and 2013, the University incurred operating expenses totaling \$427.6 million and \$400.7 million, respectively. The increase of \$26.9 million in operating expenses for fiscal year 2014 versus 2013 is a result of additional expenses attributed to: providing instruction and services for the increased number of students, Medical school expenses as the enrollment of the Cooper Medical School of Rowan University increases, higher salaries due to contractual agreements with unions, a large increase in the State fringe benefit rate and the addition of the School of Osteopathic Medicine.

**ROWAN UNIVERSITY**  
(A Component Unit of the State of New Jersey)  
Management's Discussion and Analysis (Unaudited)  
June 30, 2014

A summary of operating expenses for the years ended June 30, 2014 and 2013 follows:

	<b>2014</b>		<b>2013</b>	
	<b>Amount</b>	<b>Percentage of total</b>	<b>Amount</b>	<b>Percentage of total</b>
	(Amounts in thousands)			
Instruction	\$ 137,586	32.2%	\$ 127,448	31.8%
Research	7,772	1.8	7,622	1.9
Public service	8,610	2.0	6,872	1.7
Academic support and student services	56,840	13.3	49,476	12.3
Institutional support	61,064	14.3	56,970	14.2
Operation and maintenance of plant	29,413	6.9	24,572	6.1
Student aid	1,840	0.4	1,691	0.4
Professional services and contracts	63,194	14.8	53,580	13.4
Auxiliary enterprises	27,210	6.4	22,311	5.6
Other activity related to SOM	—	—	19,639	4.9
Depreciation and amortization	34,085	7.9	30,510	7.7
Total operating expenses	\$ <u>427,614</u>	<u>100.0%</u>	\$ <u>400,691</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.

As of June 30, 2014 and 2013, the University had \$91.1 million and \$77.7 million, respectively in net investment in capital assets. Outstanding long-term debt as of June 30, 2014 is \$614.2 million, compared to \$575.7 million as of June 30, 2013.

Significant transactions related to capital assets and bonded debt that occurred during fiscal year 2014 were as follows:

The issuance of the 2013A and 2013B bonds to refinance outstanding debt issued on behalf of UMDNJ and related to SOM that transferred to the University on July 1, 2013. The bonds were issued with a principal balance payable of \$56.6 million.

The parking garage and the retail, classroom and office building housing the College of Graduate and Continuing Education was completed. Upon completion of the building, the University started making payments on these capital leases. The asset and debt recorded in the University financial system for these obligations was \$38.4 million.

The University received institutional grant awards in the amount of \$117.7 million from the Higher Education Capital Financing Grant Program. Approximately \$31.3 million of this money was deposited to trustee accounts in the University's name. The University recorded debt in the amount of \$8.4 million for its portion of the debt service related to these awards.

**ROWAN UNIVERSITY**  
(A Component Unit of the State of New Jersey)  
Management's Discussion and Analysis (Unaudited)  
June 30, 2014

**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 2013 to fiscal year 2014 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 Position  
June 30, 2014

<b>Assets and Deferred Outflows of Resources</b>	<b>Rowan University</b>	<b>Rowan University Foundation</b>	<b>South Jersey Technology Park at Rowan University, Inc.</b>	<b>Total</b>
Current assets:				
Cash and cash equivalents (notes 2 and 13)	\$ 148,169,057	6,794,172	1,213,943	156,177,172
Restricted cash and cash equivalents (notes 2 and 13)	4,562,867	2,029,458	—	6,592,325
Receivables:				
Students, less allowance of \$1,503,000	2,294,704	—	—	2,294,704
Restricted contributions, net	—	1,285,081	—	1,285,081
Grants	20,927,590	—	—	20,927,590
State of New Jersey	3,844,421	—	—	3,844,421
Professional services and contracts receivable	10,439,617	—	—	10,439,617
Interest and other	3,235,319	—	71,746	3,307,065
Total receivables	40,741,651	1,285,081	71,746	42,098,478
Restricted deposits held by trustees (note 3)	28,179,275	—	—	28,179,275
Other current assets	1,438,901	—	—	1,438,901
Total current assets	223,091,751	10,108,711	1,285,689	234,486,151
Noncurrent assets:				
Restricted deposits held by trustees (note 3)	31,901,716	—	—	31,901,716
Investments, at fair value (notes 2 and 13)	770,702	48,580,075	—	49,350,777
Restricted investments, at fair value (note 13)	—	14,427,105	—	14,427,105
Restricted nonexpendable investments, at fair value (note 13)	—	113,143,074	—	113,143,074
Loans receivable	3,265,968	—	—	3,265,968
Restricted contributions receivable, net	—	5,056,576	—	5,056,576
Capital assets, net (note 4)	672,025,708	—	11,234,155	683,259,863
Total noncurrent assets	707,964,094	181,206,830	11,234,155	900,405,079
Total assets	931,055,845	191,315,541	12,519,844	1,134,891,230
Deferred outflows of resources:				
Loss on bond refinancing	18,596,531	—	—	18,596,531
Total assets and deferred outflows of resources	\$ 949,652,376	191,315,541	12,519,844	1,153,487,761
<b>Liabilities and Deferred Inflows of Resources</b>				
Current liabilities:				
Accounts payable and accrued expenses (note 7)	\$ 48,715,562	84,041	39,369	48,838,972
Unearned revenue	23,891,762	359,477	—	24,251,239
Annuities payable – current portion	—	18,569	—	18,569
Long-term debt – current portion (notes 8 and 9)	15,949,057	—	177,862	16,126,919
Total current liabilities	88,556,381	462,087	217,231	89,235,699
Noncurrent liabilities (note 9):				
Student deposits	553,601	—	—	553,601
Compensated absences – noncurrent portion (notes 9 and 11)	3,385,371	—	—	3,385,371
Unearned revenue	20,765,475	—	—	20,765,475
Other liabilities	1,774,241	—	—	1,774,241
Deposits held in custody for others	1,236,979	1,414,812	—	2,651,791
Annuities payable – noncurrent portion	—	130,472	—	130,472
Long-term debt – noncurrent portion (notes 8 and 9)	598,254,650	—	5,329,173	603,583,823
Total noncurrent liabilities	625,970,317	1,545,284	5,329,173	632,844,774
Total liabilities	714,526,698	2,007,371	5,546,404	722,080,473
Deferred inflows of resources:				
Gain on bond refinancing	264,069	—	—	264,069
Total liabilities and deferred inflows of resources	\$ 714,790,767	2,007,371	5,546,404	722,344,542
<b>Net Position</b>				
Net investment in capital assets	\$ 91,061,696	—	5,727,120	96,788,816
Restricted:				
Nonexpendable (note 13)	—	113,143,074	—	113,143,074
Expendable:				
Debt service and reserve	22,841,854	—	—	22,841,854
Inductotherm scholarships	—	176,858	—	176,858
Other scholarships	—	7,318,257	—	7,318,257
College of Business	—	4,153,205	—	4,153,205
Other	4,562,867	10,631,167	—	15,194,034
Unrestricted (note 11)	116,395,192	53,885,609	1,246,320	171,527,121
Total net position	\$ 234,861,609	189,308,170	6,973,440	431,143,219

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 Position  
Year ended June 30, 2014

	<b>Rowan University</b>	<b>Rowan University Foundation</b>	<b>South Jersey Technology Park at Rowan University, Inc.</b>	<b>Total</b>
Operating revenues:				
Net student revenues:				
Tuition and fees	\$ 173,575,162	—	—	173,575,162
Auxiliary enterprises	42,072,662	—	—	42,072,662
Less scholarship allowances	(43,126,812)	—	—	(43,126,812)
Net student revenues	172,521,012	—	—	172,521,012
Grants	46,811,315	—	—	46,811,315
Self-funded programs	5,772,005	—	—	5,772,005
Fundraising events	—	123,009	—	123,009
Contributions	—	5,856,784	—	5,856,784
Net professional services and contracts (note 10)	60,176,423	—	—	60,176,423
Rental income (note 14)	—	—	980,432	980,432
Other operating revenues	6,432,430	—	4,713	6,437,143
Total operating revenues	291,713,185	5,979,793	985,145	298,678,123
Operating expenses:				
Instruction	137,585,628	—	—	137,585,628
Research	7,771,766	—	—	7,771,766
Public service	8,609,976	—	—	8,609,976
Academic support	31,299,421	—	—	31,299,421
Student services	25,541,005	—	—	25,541,005
Institutional support	61,064,355	448,693	515,614	62,028,662
Operation and maintenance of plant	29,413,352	—	120,984	29,534,336
Student aid	1,840,221	—	—	1,840,221
Professional services and contracts	63,193,362	—	—	63,193,362
Auxiliary enterprises	27,210,114	—	—	27,210,114
Depreciation and amortization	34,085,271	—	367,436	34,452,707
Total operating expenses	427,614,471	448,693	1,004,034	429,067,198
Operating (loss) income	(135,901,286)	5,531,100	(18,889)	(130,389,075)
Nonoperating revenues (expenses):				
State of New Jersey appropriations	30,716,000	—	—	30,716,000
State of New Jersey appropriations – CMSRU	27,847,000	—	—	27,847,000
State of New Jersey appropriations – Rowan SOM	30,229,000	—	—	30,229,000
State of New Jersey fringe benefits (note 5)	69,269,628	—	—	69,269,628
Student scholarships	—	(1,517,586)	—	(1,517,586)
Gifts from Rowan University Foundation (note 13)	8,526,564	(8,526,564)	—	—
Other grants	—	(6,597)	—	(6,597)
Investment income	630,586	27,399,988	2,673	28,033,247
Investment expenses	—	(158,945)	—	(158,945)
Interest on capital asset related debt	(36,174,591)	—	(195,575)	(36,370,166)
Other nonoperating revenues (expenses), net	(1,855,682)	7,683	—	(1,847,999)
Net nonoperating revenues (expenses)	129,188,505	17,197,979	(192,902)	146,193,582
Income (loss) before other revenues	(6,712,781)	22,729,079	(211,791)	15,804,507
Capital grants	7,966,564	—	—	7,966,564
Additions to permanent endowments	—	2,126,405	—	2,126,405
Increase (decrease) in net position	1,253,783	24,855,484	(211,791)	25,897,476
Net position as of beginning of year, as restated (note 12)	233,607,826	164,452,686	7,185,231	405,245,743
Net position as of end of year	\$ 234,861,609	189,308,170	6,973,440	431,143,219

See accompanying notes to financial statements.

**ROWAN UNIVERSITY**  
(A Component Unit of the State of New Jersey)  
Statement of Cash Flows  
(Business-Type Activities – Rowan University only)  
Year ended June 30, 2014

Cash flows from operating activities:	
Student revenues	\$ 172,307,456
Government and private grants	45,176,928
Professional services and contract	62,810,145
Payments to suppliers	(79,413,053)
Payments for employee salaries and benefits	(227,339,221)
Self-funded programs and other receipts	12,100,793
Net cash used by operating activities	<u>(14,356,952)</u>
Cash flows from noncapital financing activities:	
State of New Jersey appropriations	88,792,000
Gifts	6,947,639
Net cash provided by noncapital financing activities	<u>95,739,639</u>
Cash flows from capital and related financing activities:	
Proceeds from bond refunding	65,033,306
Drawdown of deposits with trustees	419,405
Capital grants	8,123,625
Purchases of capital assets	(31,124,374)
Bond defeasance	(65,033,306)
Principal paid on capital debt	(15,341,118)
Interest paid on capital debt	(36,600,719)
Net cash used by capital and related financing activities	<u>(74,523,181)</u>
Cash flows from investing activities:	
Sale of investments	10,672,905
Interest on investments	608,747
Net cash provided by investing activities	<u>11,281,652</u>
Net increase in cash and cash equivalents	18,141,158
Cash and cash equivalents as of beginning of the year, as restated (note 12)	<u>134,590,766</u>
Cash and cash equivalents as of end of the year	<u>\$ 152,731,924</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (135,901,286)
Adjustments to reconcile operating loss to net cash used by operating activities:	
State paid fringe benefits	69,269,628
Depreciation and amortization expense	34,085,271
Changes in assets and liabilities:	
Receivables	202,661
Other current assets	606,725
Accounts payable and accrued expenses	5,825,009
Unearned revenue	10,471,481
Student deposits	62,351
Other liabilities	999,588
Deposits held in custody for others	21,620
Net cash used by operating activities	<u>\$ (14,356,952)</u>
Noncash transaction:	
Noncash gifts	\$ 1,578,925
Unrealized gain on investments	24,616
Capital assets acquired through capital lease obligation	38,380,683
State paid fringe benefits	69,269,268
Construction fund direct vendor payments	1,789,926

See accompanying notes to financial statements.

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

Notes to Basic Financial Statements

June 30, 2014

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

**(a) 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, 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.

On August 22, 2012 Governor Christie signed the "New Jersey Medical and Health Sciences Education Restructuring Act" (Law) into law. Effective July 1, 2013, the School of Osteopathic Medicine (SOM) in Stratford, NJ (formerly under The University of Medicine and Dentistry of New Jersey) was integrated with the University. The Law also establishes the University as a public research institution.

**(b) 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.

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 position categories.

- *Net investment in capital assets*: 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 position subject to externally imposed stipulations that must be maintained permanently by the University.

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

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

Notes to Basic Financial Statements

June 30, 2014

- *Unrestricted:* Net position that is not subject to externally imposed stipulations. Unrestricted net position 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 with a portfolio maturity of three months or less.

The University maintains portions of its cash with three custodians, two banks and the State of New Jersey Cash Management Fund. All 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

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

Notes to Basic Financial Statements

June 30, 2014

**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 is 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 unearned revenue in the accompanying statement of net position.

**Professional Services and Contract Revenues**

Professional services and contract revenues include the operations of SOM faculty practice plans and affiliated hospital billings. The professional services and contract revenues are recorded on an accrual basis and reported at the estimated net realizable amounts from patients, third party payors and others for services rendered. The housestaff and affiliations revenues are recorded on an actual basis based on contracts with various affiliated hospitals for reimbursement of salary, fringe and malpractice charges incurred by SOM.

**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 unearned revenue in the accompanying statement of net position.

**Classification of Revenue**

The University's policy for defining operating activities in the statements of revenues, expenses, and changes in net position 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, (2) most Federal, State, and private grants and contracts, and (3) professional services and contract revenue. 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.

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

Notes to Basic Financial Statements

June 30, 2014

**New Accounting Standards Adopted**

In fiscal year 2014, the University adopted the following new accounting standards:

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65), amends or supersedes the accounting and financial reporting guidance for certain items previously required to be reported as assets or liabilities. The objective is to either properly classify certain items that were previously reported as assets or liabilities as deferred outflows of resources or deferred inflows of resources or recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses) or inflows of resources (revenues). With the adoption of GASB 65 the University will expense bond issuance costs in the period in which they are incurred. The University adopted the provision in 2014 effective for the fiscal year beginning July 1, 2013, resulting in a restatement of the 2013 financial statements as detailed below to reflect the elimination of bond issuance costs as assets and reclassification of deferred gains and losses on bond refinancing as deferred inflows and outflows of resources, respectively.

	<u>As previously reported</u>	<u>Adjustments</u>	<u>As restated</u>
Statement of net position as of June 30, 2013:			
Bond financing costs, net of accumulated amortization	\$ 3,945,921	(3,945,921)	—
Long-term debt – noncurrent	500,846,268	7,669,944	508,516,212
Deferred outflows	—	7,958,020	7,958,020
Deferred inflows	—	288,076	288,076
Net investment in capital assets	76,894,987	(3,945,921)	72,949,066
Statement of revenues, expenses, and changes in net position for the year ended June 30, 2013:			
Depreciation and amortization	\$ 26,539,540	(280,751)	26,258,789
Net position as of beginning of year	199,316,561	(4,226,672)	195,089,889
Net position as of end of year	208,968,479	(3,945,921)	205,022,558

GASB Statement No. 66, *Technical Corrections – 2012, An Amendment of GASB Statement No. 10 and No. 62 Liabilities* (GASB 66), removes the provision in GASB Statement No. 10 that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type and modifies the specific guidance in GASB Statement No. 62 on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. There was no impact as a result of adoption of this standard to the University's financial statements.

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

Notes to Basic Financial Statements

June 30, 2014

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations* (GASB 69), establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The term government combinations include a variety of transactions referred to as mergers, acquisitions, and transfers of operations. The statement provides specific accounting and financial reporting for combinations in the governmental environment and improves the decision usefulness of financial reporting requiring disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. See note 12 for the impact of the adoption of this statement as a result of the integration of the SOM with the University.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* (GASB 70), improves accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees and requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. GASB 70 also requires a government that has issued an obligation guaranteed in a nonexchange transaction to report the obligation until legally released as an obligor and requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. New information must be disclosed by governments that receive nonexchange financial guarantees. There was no impact as a result of adoption of this standard to the University's financial statements.

**Use of Estimates**

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

**Tax Status**

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

**(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

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

Notes to Basic Financial Statements

June 30, 2014

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:

	<u>Amount</u>
Cash	\$ 72,696,824
State of New Jersey Cash Management Fund	612,879
Money market accounts	<u>79,422,221</u>
Total cash and cash equivalents	<u>\$ 152,731,924</u>
Investments:	
U.S. Treasury note	\$ 631,740
Equity securities	<u>138,962</u>
Total investments	<u>\$ 770,702</u>

The University's cash and cash equivalents, investments and deposits held by 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 \$155.3 million as of June 30, 2014. Of these amounts, \$500,000 was FDIC insured and the excess is collateralized pursuant to New Jersey Statute 52:18-16-1.

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 \$612,879 as of June 30, 2014. 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 in the State of New Jersey Cash Management Fund is unrated with a portfolio of maturity of less than one year.

The U.S. Treasury note was rated AAA as of June 30, 2014.

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 U.S. Treasury note matures in 2022. See table in note 3 for ratings of deposits held by trustees.



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

Notes to Basic Financial Statements

June 30, 2014

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

Deposits held by 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, money market investments and fixed income holdings. Deposits held by trustees include funds for construction, debt service reserve, and debt service.

	<u>Amount</u>
Construction funds	\$ 31,901,716
Debt service and debt service reserve funds	<u>28,179,275</u>
	60,080,991
Less current portion	<u>28,179,275</u>
Noncurrent deposits held by trustees	<u><u>\$ 31,901,716</u></u>

The following table summarizes the maturities and agency ratings of the fixed income securities included in the University's deposits held by trustees as of June 30, 2014:

	<u>Rating</u>	<u>Fair value</u>	<u>Less than 1 year</u>	<u>1 – 5 years</u>
G.E. Capital commercial paper	P1	\$ 2,474,033	<u>2,474,033</u>	<u>—</u>
		<u>\$ 2,474,033</u>	<u>2,474,033</u>	<u>—</u>

The remaining deposits held by trustees consist of money market investments that are unrated.

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

Notes to Basic Financial Statements

June 30, 2014

**(4) Capital Assets**

The detail of capital assets activity for the year ended June 30, 2014 is as follows (beginning balances were adjusted to reflect the amounts recorded for SOM on July 1, 2013):

	<u>Beginning balance</u>	<u>Additions</u>	<u>Deletions/ transfers</u>	<u>Ending balance</u>
Nondepreciable assets:				
Land	\$ 47,654,583	1,851,280	—	49,505,863
Artwork	755,000	1,450,000	—	2,205,000
Construction in progress	29,582,201	30,405,960	(16,068,776)	43,919,385
Total nondepreciable assets	<u>77,991,784</u>	<u>33,707,240</u>	<u>(16,068,776)</u>	<u>95,630,248</u>
Depreciable assets:				
Land improvements	40,227,859	731,649	—	40,959,508
Buildings	770,603,559	48,707,803	(1,621,716)	817,689,646
Equipment	60,867,763	4,399,506	—	65,267,269
Total depreciable assets	<u>871,699,181</u>	<u>53,838,958</u>	<u>(1,621,716)</u>	<u>923,916,423</u>
Less accumulated depreciation:				
Land improvements	15,275,138	1,858,741	—	17,133,879
Buildings	255,845,456	27,305,368	(909,728)	282,241,096
Equipment	43,792,516	4,353,472	—	48,145,988
Total accumulated depreciation	<u>314,913,110</u>	<u>33,517,581</u>	<u>(909,728)</u>	<u>347,520,963</u>
Total capital assets, net	<u>\$ 634,777,855</u>	<u>54,028,617</u>	<u>(16,780,764)</u>	<u>672,025,708</u>

Depreciation expense for the year ending June 30, 2014 was \$33,517,581. The estimated cost to complete capital projects included in construction in progress as of June 30, 2014 approximates \$183,600,000. Financing for these projects is approximately \$112,600,000 in grant funds, \$51,200,000 in future bond funding and \$19,800,000 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, \$69,269,628 for fiscal year 2014, 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.

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

Notes to Basic Financial Statements

June 30, 2014

**(6) Retirement Plans**

**(a) 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, PFRS 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.

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

Notes to Basic Financial Statements

June 30, 2014

**(b) PERS Funding Policies**

PERS members contribute at a uniform rate. The full normal employee contribution rate became 6.78% of annual compensation, effective July 1, 2013. 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 noncontributory 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.

**(c) 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, 2014, ABP investment carriers received employer and employee contributions as follows:

	<u>Amount</u>
Employer contributions	\$ 8,739,065
Employee contributions	12,274,152
Basis for contributions:	
Participating employee salaries	\$ 109,238,309

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.

**(d) 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.

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

Notes to Basic Financial Statements

June 30, 2014

Participating University employees contribute 5.5% of their eligible wages. Employer contributions are 3%. During the year ended June 30, 2014, Prudential received employer and employee contributions as follows:

	<u>Amount</u>
Employer contributions	\$ 30,627
Employee contributions	16,706
Basis for contributions:	
Participating employee salaries	\$ 556,858

**(e) 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**

The components of accounts payable and accrued expenses are as follows:

	<u>Amount</u>
Vendors and other	\$ 15,351,961
Salaries and benefits	12,510,637
Due to State of New Jersey	3,792,650
Compensated absences – current portion	6,857,084
Accrued interest payable	10,203,230
Total accounts payable and accrued expenses	<u>\$ 48,715,562</u>

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

Notes to Basic Financial Statements

June 30, 2014

**(8) Long-Term Debt**

***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 were outstanding as of June 30, 2014:

	<u>Interest rate</u>	<u>Amount</u>
NJEFA Series 2004 C Revenue Bonds, due serially to 2014	4.0% – 5.0%	\$ 2,320,000
NJEFA Series 2005 D Revenue Refunding Bonds, due serially to 2030	3.25% – 5.25%	45,700,000
NJEFA Series 2006 G Revenue Bonds, due serially to 2031	4.0% – 4.5%	62,025,000
NJEFA Series 2007 B Revenue Refunding Bonds, due serially to 2034	3.0% – 5.5%	115,630,000
NJEFA Series 2008 B Revenue Refunding Bonds, due serially to 2027	4.0% – 5.0%	35,205,000
CCIA Series 2010 A Build America Bonds, due serially to 2035	5.055% – 7.847%	93,885,000
CCIA Series 2010 B Revenue Bonds, due serially to 2016	1.50% – 5.00%	8,975,000
NJEFA Series 2011 C Revenue Refunding Bonds, due serially to 2025	3.0% – 5.0%	26,410,000
CCIA Series 2013 A Rowan SOM Revenue Refunding Bonds, due serially to 2032	3.0% – 5.0%	26,540,000
CCIA Series 2013 B Rowan SOM Revenue Refunding Bonds due serially to 2032	0.89% – 5.16%	28,165,000
		<u>444,855,000</u>
Plus:		
Bond premium		3,476,416
Total bonds payable		<u>\$ 448,331,416</u>

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

Notes to Basic Financial Statements

June 30, 2014

Future annual debt service requirements approximate the following:

	<b>Principal amount</b>	<b>Interest amount</b>	<b>Total amount</b>
Year ending June 30:			
2015	\$ 16,525,000	21,663,159	38,188,159
2016	17,415,000	20,889,843	38,304,843
2017	18,455,000	20,028,863	38,483,863
2018	19,445,000	19,139,676	38,584,676
2019	20,290,000	18,193,256	38,483,256
2020–2024	114,420,000	75,056,317	189,476,317
2025–2029	133,510,000	43,626,211	177,136,211
2030–2034	87,125,000	15,135,157	102,260,157
2035–2036	17,670,000	574,793	18,244,793
	<u>\$ 444,855,000</u>	<u>234,307,275</u>	<u>679,162,275</u>

In July 2013, the Camden County Improvement Authority issued Series 2013A and 2013B Bonds. The 2013A lease revenue refunding bonds totaled \$26,880,000 with coupon rates ranging from 3.0% to 5.0% maturing through 2032. The 2013B, federally taxable, lease revenue refunding bonds totaled \$29,690,000 with coupon rates ranging from 0.89% to 5.16% maturing through 2032. The proceeds from these bond issues, together with other available funds, were used to refinance outstanding debt issued on behalf of the University of Medicine and Dentistry of New Jersey and related to the School of Osteopathic Medicine which was transferred to the University on July 1, 2013 as a result of the “New Jersey Medical and Health Sciences Education Restructuring Act” becoming effective. The University completed the refinancing of the debt in order to reduce its total debt service payments by \$7,557,849, which resulted in an economic loss (difference between the present values of the old and new debt service payments less escrow funds used) of \$(69,301).

Funds are on deposit with escrow agents to provide for the payment of principal, interest, and call premiums, when due, on Series 2004 C and Series 2009 B Bonds. Accordingly, these bonds are not considered outstanding obligations of the University as of June 30, 2014, therefore, they are not reflected in the accompanying financial statements. The principal amounts of these bonds were approximately \$81,977,000 as of June 30, 2014.

***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 semiannual installments on September 1 and February 1, each year. The University has a capital lease payable as of June 30, 2014 in the amount of \$68,135,834.

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

Notes to Basic Financial Statements

June 30, 2014

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, 2014 in the amount of \$11,057,791.

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. 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, 2014 in the amount of \$32,729,962.

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 was 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. 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. The University began to pay rent in August 2013 and has a capital lease payable as of June 30, 2014 in the amount of \$21,402,066.

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 was 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). The University will have the option to



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

Notes to Basic Financial Statements

June 30, 2014

purchase the leased portion of the property, at the end of the term, for \$1.00 consideration. The University began to pay rent in September 2013 and has a capital lease payable as of June 30, 2014 in the amount of \$16,656,126.

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

	<u>Principal amount</u>	<u>Interest amount</u>	<u>Total amount</u>
Year ending June 30:			
2015	\$ (1,366,763)	14,276,463	12,909,700
2016	(1,219,573)	14,405,692	13,186,119
2017	(1,067,454)	14,521,398	13,453,944
2018	(896,121)	14,622,700	13,726,579
2019	(607,646)	14,704,040	14,096,394
2020–2024	1,092,730	73,861,629	74,954,359
2025–2029	12,103,580	71,366,880	83,470,460
2030–2034	30,483,423	62,024,824	92,508,247
2035–2039	55,067,144	43,175,006	98,242,150
2040–2043	56,392,459	10,180,604	66,573,063
	<u>\$ 149,981,779</u>	<u>333,139,236</u>	<u>483,121,015</u>

***Other Long-Term Debt***

Other long-term debt consists of the following:

- (A) 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 on its allocation of the bond proceeds, plus administrative fees of the trustees and the Authority. The outstanding balance as of June 30, 2014 is \$5,147,293, with maturities through August 15, 2022.
- (B) 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 balance as of June 30, 2014 was \$245,568.
- (C) As a result of the New Jersey Medical and Health Sciences Education Restructuring Act, Higher Educational Capital Improvement Fund Act outstanding debt of UMDNJ, related to SOM, was transferred to the University on July 1, 2013. The outstanding balance on this debt, as of June 30, 2014, is \$2,087,795.

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

Notes to Basic Financial Statements

June 30, 2014

- (D) In July 2013, the University received notification of an institutional grant award from the New Jersey Higher Education Capital Facilities Grant Program. The University was awarded \$26.6 million from the Higher Educational Capital Improvement Fund Act. The University is required to pay 1/3 of the debt service on its allocation of the bond proceeds plus administrative fees of the Trustees and the Authority. The outstanding balance as of June 30, 2014, is \$8,246,628 with maturities through August 15, 2033.
- (E) In July 2013, the University received notification of an institutional grant award from the New Jersey Higher Education Capital Facilities Grant Program. The University was awarded \$0.75 million from the Higher Education Equipment Leasing Fund. The University is required to pay 1/4 of the debt service on its allocation of the bond proceeds plus administrative fees of the Trustees and the Authority. The outstanding balance as of June 30, 2014, is \$163,228.

Principal and interest payments for these obligations are as follows:

	<b>Principal amount</b>	<b>Interest amount</b>	<b>Total amount</b>
Year ending June 30:			
2015	\$ 790,820	648,142	1,438,962
2016	1,105,471	665,852	1,771,323
2017	1,029,824	618,555	1,648,379
2018	1,079,712	568,956	1,648,668
2019	1,128,657	518,002	1,646,659
2020-2024	5,509,908	1,749,645	7,259,553
2025-2029	2,320,423	901,679	3,222,102
2030-2034	2,925,697	358,053	3,283,750
	<u>\$ 15,890,512</u>	<u>6,028,884</u>	<u>21,919,396</u>

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

Notes to Basic Financial Statements

June 30, 2014

**(9) Noncurrent Liabilities**

Noncurrent liabilities activity for the year ended June 30, 2014 was as follows (Beginning balances were adjusted to reflect the amounts recorded for SOM on July 1, 2013):

	Beginning balance	Additions	Reductions	Ending balance	Current portion
Student deposits	\$ 491,250	62,351	—	553,601	—
Compensated absences	9,264,503	7,757,972	6,780,020	10,242,455	6,857,084
Unearned revenue	13,420,281	44,657,237	13,420,281	44,657,237	23,891,762
Other liabilities	774,653	999,588	—	1,774,241	—
Deposits held in custody for others	1,215,359	5,258,363	5,236,743	1,236,979	—
Bonds payable	457,423,301	59,332,787	68,424,672	448,331,416	16,525,000
Other long-term debt	8,081,745	8,409,856	601,089	15,890,512	790,820
Capital lease obligation	110,178,145	38,380,683	(1,422,951)	149,981,779	(1,366,763)
	<u>\$ 600,849,237</u>	<u>164,858,837</u>	<u>93,039,854</u>	<u>672,668,220</u>	<u>46,697,903</u>
Total noncurrent liabilities	\$ 600,849,237	164,858,837	93,039,854	672,668,220	46,697,903

**(10) Professional Services and Contract Revenues**

The Rowan SOM Faculty Practice Plan revenues primarily consist of fee for service payments, inclusive of quality incentives and capitation payments, from the Centers for Medicare & Medicaid Services (CMS) and other third party insurance providers for inpatient and outpatient services provided by the Rowan SOM faculty. In addition, significant contract payments for medical directorships and other contracted service agreements, such as behavioral health and hospitalist services, account for approximately one-third of the revenues.

The components of professional services and contract revenues are as follows:

	<u>Amount</u>
Faculty practice revenues:	
Gross charges	\$ 61,672,321
Contractual and other allowances	(22,618,874)
Provision for bad debts	(3,270,726)
Bad debt recovery	298,071
Total faculty practice	<u>36,080,792</u>
House staff and affiliation revenues:	
House staff billings	21,520,312
Affiliation billings	2,575,319
Total house staff and affiliation	<u>24,095,631</u>
Total professional services and contract revenue	<u>\$ 60,176,423</u>

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

Notes to Basic Financial Statements

June 30, 2014

Gross charges pertain to the following payors:

	<u>Percentage</u>
Medicare	32%
Medicaid and Medicaid HMO	11
Contracts	23
Other third party payors	30
Uninsured, charity care and self pays	4
Total	<u>100%</u>

Faculty practice gross accounts receivable pertain to the following payors:

	<u>Percentage</u>
Medicare	17%
Medicaid and Medicaid HMO	9
Contracts	48
Other third party payors	16
Self pays	10
	<u>100%</u>

**(11) Commitments and Contingencies**

**(a) Operating Leases**

The University leases certain space and equipment used in general operations. Rental expense was approximately \$1,556,000 during fiscal year 2014. Future minimum annual rental commitments approximate the following:

	<u>Amount</u>
Year ending June 30:	
2015	\$ 1,068,000
2016	694,000
2017	529,000
2018	472,000
2019	462,000
2020 and thereafter	132,000
	<u>\$ 3,357,000</u>

**(b) Compensated Absences**

The University recorded a liability for accumulated vacation time in the amount of approximately \$6,857,000 as of June 30, 2014, which is included in accounts payable and accrued expenses in the

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

Notes to Basic Financial Statements

June 30, 2014

accompanying statement of net position. The liability is calculated based upon employees' accrued vacation leave as of the statement of net position 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 \$2,874,000 as of June 30, 2014, which is included in compensated absences in the accompanying statement of net position.

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 \$512,000 as of June 30, 2014 is recorded in compensated absences in the accompanying statement of net position.

**(c) Unrestricted Net Position**

Net position is required to be classified for accounting and reporting purposes into one of four net position categories according to externally imposed restrictions. Unrestricted net position, as defined by GASB Statement No. 35, is 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 position as of June 30, 2014:

	<u>Amount</u>
Designated:	
University operating reserve	\$ 12,456,157
Self-supporting programs	22,908,470
Designated renewal and replacement funds	3,462,879
Medical School construction fund	16,886,162
Board designated reserve for capital projects	15,517,139
Board designated reserve for Medical School	20,000,000
Reserve for debt service	<u>25,164,385</u>
Total unrestricted net position	<u>\$ 116,395,192</u>

**(d) 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, medical professional liability, auto liability, trustees and officers liability, workers'

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

Notes to Basic Financial Statements

June 30, 2014

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.

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.

**(e) Medical Malpractice Self-Insurance Fund**

The University participates in a Trust Fund administered by the State of New Jersey known as the Medical Malpractice Self-Insurance Fund (the Fund), which is used to pay malpractice claims and related insurance premiums. The University and the State approve the payment of claims and the University is required to collect contributions to the Fund from the SOM Faculty Practice Plan and its affiliated hospitals. Monies in the Fund, existing commercial excess liability insurance coverage, and coverage provided by the New Jersey Tort Claims Act are used to meet the cost of claims against SOM. The State has the ultimate liability for any claims in excess of the Fund's assets.

Payment of claims from the Fund totaled \$1,791,634 in fiscal year 2014 for SOM. Included in accounts payable and accrued expenses is approximately \$2,400,000 which represents the University's contribution to the Fund for the year ended June 30, 2014.

**(f) Corporate Integrity Agreement**

The University of Medicine and Dentistry (UMDNJ) had operated under a five-year Corporate Integrity (CIA) with the Department of Health and Human Services Offices of the Inspector General (DHHS-OIG) since September 2009. This agreement was assignable to successor organizations. Upon the integration of SOM into Rowan University, the Board of Trustees of Rowan University adopted a healthcare compliance program consistent with relevant laws and practices, and to fulfill the requirements of the CIA and the 15 remaining months of the agreement. The CIA requirements

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

Notes to Basic Financial Statements

June 30, 2014

will expire September 2014, but the compliance measures that have been developed and implemented will be continued.

**(g) 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) Integration of the School of Osteopathic Medicine**

Effective July 1, 2013, the School of Osteopathic Medicine (SOM) in Stratford, New Jersey (formerly under The University of Medicine and Dentistry of New Jersey) was integrated with the University as a result of the New Jersey Medical and Health Sciences Education Restructuring Act. The University accounted for the transaction according to the provisions of GASB Statement No. 69. The following was recognized as of the date of transfer July 1, 2013 (in thousands):

	<u>As of</u> <u>July 1, 2013</u>	<u>Adjustments</u>	<u>Adjusted as</u> <u>of July 1, 2013</u>
Assets:			
Current assets	\$ 26,927	—	26,927
Capital assets, net	60,066	—	60,066
Other assets	10,129	—	10,129
Total assets	<u>97,122</u>	<u>—</u>	<u>97,122</u>
Liabilities:			
Current liabilities	15,610	—	15,610
Noncurrent liabilities	52,927	—	52,927
Total liabilities	<u>68,537</u>	<u>—</u>	<u>68,537</u>
Net position:			
Net investment in capital assets	4,700	—	4,700
Restricted expendable	13,503	(7,962) (a)	5,541
Restricted nonexpendable	4,745	(4,745) (a)	—
Unrestricted	5,637	12,707 (a)	18,344
Total net position	<u>\$ 28,585</u>	<u>—</u>	<u>28,585</u>

- (a) Adjustments to the restricted expendable and nonexpendable net position categories as previously reported by SOM were necessary to conform to the accounting policies of the University.

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

Notes to Basic Financial Statements

June 30, 2014

***Restatement of Net Position***

The beginning of the year net position as of July 1, 2013 was restated for the effects of the transfer, as well as the adoption of GASB 65, as follows:

	<u>Net investment in capital assets</u>	<u>Unrestricted</u>	<u>Restricted expendable</u>	<u>Total net position</u>
University net position, as previously reported June 30, 2013	\$ 76,894,987	104,874,946	27,198,546	208,968,479
Impact of adoption of GASB 65 (note 1)	<u>(3,945,921)</u>	<u>—</u>	<u>—</u>	<u>(3,945,921)</u>
Total net position restated for GASB 65	72,949,066	104,874,946	27,198,546	205,022,558
Transfer of net position related to SOM	<u>4,700,000</u>	<u>18,344,427</u>	<u>5,540,841</u>	<u>28,585,268</u>
University net position, as restated July 1, 2013	<u>\$ 77,649,066</u>	<u>123,219,373</u>	<u>32,739,387</u>	<u>233,607,826</u>

***Restatement of Cash and Cash Equivalents***

Included in the transfer of assets to the University were cash and cash equivalents of \$10,038,722. Cash and cash equivalents as of July 1, 2013 were restated to \$134,590,766 on the statement of cash flows.

**(13) 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.

During the year ended June 30, 2014 the University received \$8,526,564 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.



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

Notes to Basic Financial Statements

June 30, 2014

***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, 2014:

	<u><b>Amount</b></u>
Cash and cash equivalents	\$ 6,794,172
Restricted cash and cash equivalents	2,029,458
Investments:	
Bond mutual funds (domestic)	\$ 24,046,207
Common stock mutual funds (domestic)	62,066,940
Common stock mutual funds (international)	32,036,732
Realty investments	5,144,602
Alternative investments	52,855,773
	<u>\$ 176,150,254</u>

As of June 30, 2014 the Foundation's investments are reported on the statement of net position as follows:

	<u><b>Amount</b></u>
Investments	\$ 48,580,075
Restricted investments	14,427,105
Restricted nonexpendable investments	113,143,074
	<u>\$ 176,150,254</u>

For the year ended June 30, 2014 the increase in fair value on investments was \$10,120,047 and the net realized gain on investments was \$15,202,589. 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,

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

Notes to Basic Financial Statements

June 30, 2014

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 position, and cash flows of the Foundation.

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

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The credit risk of a debt instrument is measured by nationally recognized statistical rating agencies such as Standard and Poors. The Foundation's investment policy requires fixed income securities to replicate the Barclays Capital Aggregate 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 Position***

Restricted nonexpendable net position as of June 30, 2014 consists of the following:

	<u><b>Amount</b></u>
Henry and Betty Rowan for general operations	\$ 97,000,118
William G. Rohrer Professorial Chair in the College of Business	1,000,000
Lawrence & Rita Salva Medical School	1,000,000
King Family Professorial Chair	1,000,000
Thomas N. Bantivoglio Honors Program for scholarships	1,103,082
Rohrer Scholars for scholarships	1,080,832
John B. Campbell Professorial Chair	1,176,282
Keith and Shirley Campbell Endowment to support library operations	1,641,896
Other endowment funds	8,140,864
	<u><u>\$ 113,143,074</u></u>

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

Notes to Basic Financial Statements

June 30, 2014

**(14) 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.

**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. The rental payment of \$1,000 is included in professional and other services expenses in the accompanying statement of revenues, expenses, and changes in net position for fiscal year 2014.

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 year ended June 30, 2014, SJTP recognized \$504,026 in rental income related to this lease agreement. The University also reimbursed SJTP \$86,088 for utility charges associated with this lease for fiscal year 2014.

***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, landscaping services, repairs and maintenance, and other indirect charges. The charges amounted to \$346,881 for fiscal year 2014 and are reflected in professional and other services expenses in the accompanying statement of revenues, expenses, and changes in net position.

**ROWAN UNIVERSITY**  
(A Component Unit of the State of New Jersey)  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2014

<b>Federal grantor/pass-through grantor/program or cluster title</b>	<b>Federal CFDA/grant number</b>	<b>Current year expenditures</b>
Research and Development Cluster:		
U.S. Department of 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	\$ 109
Passed through The National Institute of Standards and Technology:		
Summer Undergraduate Research Fellowship at Gaithersburg, MD	11.609	3,916
Summer Undergraduate Research Fellowship (SURF) at NIST Gaithersburg	11.609	19,502
U.S. Department of Defense:		
Passed through Robert Wood Johnson Medical School:		
U.S. Army Medical Research Acquisition Act – Developing Treatment	12.420	108,425
U.S. Air Force:		
Distortion Free Temporal Region Determination of Speech with Application to Speaker Identification	12.800	(27,694)
U.S. Geological Survey:		
Passed through N.J. Water Resources Research Institute:		
Modeling Hydrologie and Stream Temperature Response to Land-Use and Climate Change in Developed and Developing Watersheds: A Comparative Analysis	15.805	1,728
Federal Aviation Administration:		
Performance of Unbound Layers of a Flexible Pavement System During Aircraft Landing	20.108	45,834
Development of the Rate of Dissipated Energy Change (RDEC) Based Fatigue Model Calibrated Using Mechanical Response Data and Field Performance from CC1 & CC3 Test Items at the NAPTF	20.108	46,526
U.S. Department of Transportation:		
Passed through State of New Jersey Department of Transportation:		
Teen Driver Safety Metrics	20.237	5,645
Passed through Research Foundation of the City University of New York:		
Restricted Use License Program for Suspended NJ Drivers	20.237	116,725
Characterization of Fatigue Properties of Binders and Mastics At Intermediate Temperatures using Dynamic Shear Rheometer	20.701	71,517
Impact of Polymer Modification on Mechanical and Viscoelastic Properties of Binders and Hot Mix Asphalt	20.701	1,470
Effect of Plug in Hybrid Electric Vehicle Adoption on Gas Tax Revenue, Local Pollution and Greenhouse Gas Emissions	20.701	2,337
Determine Viscoelastic Mechanical Properties of Warm Mix Asphalt, Reclaimed Asphalt Pavement (RAP) Mixes under High Stresses in Airfield Flexible Pavements, and Its Impact on Design Life	20.701	38,777
Advanced Institute for Transportation Education Graduate Scholarship	20.701	10,273
National Aeronautics and Space Administration:		
Passed through Rutgers, the State University of New Jersey:		
New Jersey Space Grant Sub-contract: Support for Rowan Summer Science Research Program in Physics	43.001	5,825
Support of the 2014 Rowan Summer Research Program in Physics and Astronomy	43.001	4,320
NASA Student Scholarship	43.002	15,000

**ROWAN UNIVERSITY**  
(A Component Unit of the State of New Jersey)  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2014

Federal grantor/pass-through grantor/program or cluster title	Federal CFDA/grant number	Current year expenditures
National Science Foundation:		
Passed through Rutgers, The State University of New Jersey:		
ERC Education and Outreach Efforts	47.041	\$ 43,896
Passed through Pennsylvania State University:		
Multifunctional Origami Structures – Advancing the Frontier of Active Compliant Mechanisms	47.041	22,531
AIS: Learning From Initially Labeled Nonstationary Streaming Data	47.041	1,534
Career Transfer: Project Energy: Exploring New Energy Alternatives Relevant to Generation Y	47.049	53,622
Measuring Ice Abundances in Martian Clouds	47.049	86,544
Materials World Network: Study of Lattice Dynamics and Phonon, Magnon, and Electromagnon Interactions in Rare Earth Maganite Multiferroics	47.049	16,256
MRI: Acquisition of a Combination-Raman and FTIR for Research, Education and Training	47.049	140,000
Evolution of Complex Traits	47.074	132,976
Lin-28 and Iet-7 microRNAs	47.074	14,675
Organizing the Curriculum	47.076	65,599
Collaborative Research: TUES: Vertical Integration of Concepts & Laboratory Experiences in Biometrics Across the Four Year Electrical & Computer Engineering Curriculum	47.076	79,927
Learning Algorithm Design: A Project-based Curriculum	47.076	43,978
Music Signals & Systems: Undisciplined Education in a Multi-Campus System	47.076	89,118
Enhancing the Undergraduate STEM Curriculum Through a Multidisciplinary Approach that Integrates Biology and Engineering	47.076	4,547
Collaborative Research: Training Next Generation Faculty and Students to Address the Infrastructure Crisis	47.076	3,031
Using a Large-scale Green Design Project to Increase Student Learning and Retention	47.076	70,074
G-SPELL: Gender and Science Proficiency for English Language Learners	47.076	2,931
Scholarships to Enhance the High Tech Workforce of Southern New Jersey	47.076	124,426
Passed through CDRF Global:		
Properties of Magnetic Polymeric Composites	47.079	3,806
Collaborative Research: CI – Team Demonstration – Interactive and Collaborative Learning Environment Using Virtual Reality Games	47.080	72,143
ARRA – Empowering Students with Engineering Literacy and Systematic Problem Solving Through Interactive and Cost-Effective Games	47.082	7,492
ARRA – Incremental Learning From Unbalanced Data in Nonstationary Environments	47.082	17,461
ARRA – MRI-R2: Acquisition of an X-ray Computed Tomography System with Loading Capabilities	47.082	14,238
U.S. Environmental Protection Agency:		
Sustainable Design Tollbox for Pharmaceutical Manufacturing	66.606	23,030
Marine Electricity from High Altitude Wind with a Kite	66.516	1,455
Low Cost Portable Percussion Well Drill and Bailer	66.516	13,456
U.S. Department of Energy:		
Algae to Ethanol Research & Evaluation	81.087	100,470

**ROWAN UNIVERSITY**  
(A Component Unit of the State of New Jersey)  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2014

Federal grantor/pass-through grantor/program or cluster title	Federal CFDA/grant number	Current year expenditures
U.S. Department of Health and Human Services:		
National Institutes of Health:		
Phthalate Exposure	93.113	\$ 5,442
Ethanol 2R01AA012897 07A1	93.273	169,020
Game-based Contingency Management for Smoking Cessation	93.279	337,341
Technology-based Treatments for Substance Use Disorders	93.279	10,861
Parents Translational Research Center	93.279	760
Passed through National Development and Research Institute:		
Technological Innovations in a Behavioral Treatment for Cigarette Smoking	93.279	23,350
Passed through University of Pennsylvania:		
Cocaine Addiction and Retrotransposons	93.279	26,463
Team-based Projects to Improve Student Design Experience	93.286	7,048
Affordable Care Act	93.286	487,916
Fatty Acids-mediated Inflammation	93.307	241,900
Hexokinase II 7R01CA11835603	93.396	113,258
ARRA – Sequence Activity Relationships in Host Defense Peptides	93.701	2,857
Self-assembling Biomimetic Hydrogels with Bioadhesive Properties for		
Intervertebral Disc Repair	93.846	22,142
Mitochondrial Transcription	93.853	23,964
Passed through Emory University:		
B Cells in Health and Disease, Project 4	93.855	122,894
1R01GM085282 01 Reg Pathway	93.859	178,926
Monitoring Mechanisms	93.859	318,824
Mechanisms of Transcription	93.859	270,808
Mechanisms of Transient	93.859	143,258
Cardiovascular Risk Factors	93.865	32,255
Older People & Hurricane Sandy	93.095	172,568
AHEC	93.107	273,884
AHEC U77HP0326DO	93.107	25
Model State-Supported Area Health EDU	93.107	76,849
Geriatric Training Program	93.156	627,726
Passed through University of Texas:		
pHSEnsitive Complex Hydrogels for Protein Drug Release	93.288	45,691
Passed through University of Illinois at Chicago:		
Minimal-Perturbation Dynamic Control of the Melanoma Gene		
Regulatory Network	93.590	25,609
Geriatric Education Center	93.969	444,787
Passed through Thomas Jefferson University:		
Neuromodulation of Kv3.4 Channels in Nociceptors	93.853	1,362
CMSRU Primary Care Academic Administrative Unit	93.884	229,266
Total Research and Development Cluster		6,156,505

**ROWAN UNIVERSITY**  
(A Component Unit of the State of New Jersey)  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2014

<b>Federal grantor/pass-through grantor/program or cluster title</b>	<b>Federal CFDA/grant number</b>	<b>Current year expenditures</b>
Student Financial Assistance Cluster:		
U.S. Department of Education:		
Federal Supplemental Educational Opportunity Grant (including administrative costs of \$51,400)	84.007	\$ 375,420
Federal Work Study	84.033	484,703
Federal Perkins Loan (including administrative costs of \$25,000)	84.038	525,000
Federal Pell Grant Program	84.063	13,924,387
Federal Direct Loan Program:		
Parent Loans	84.268	18,647,837
Graduate Loans	84.268	5,133,160
Subsidized Loans	84.268	27,910,206
Unsubsidized Loans	84.268	57,168,817
Graduate Plus Loan	84.268	1,406,067
Total Federal Direct Loan Program		<u>110,266,087</u>
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379	106,440
U.S. Department of Health and Human Services:		
Loans for Disadvantaged Students	93.342	152,000
Total Student Financial Assistance Cluster		<u>125,834,037</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	9,446
National Endowment for Humanities:		
Passed through The American Library Association:		
Let's Talk About it: Muslim Journey	45.164	3,707
U.S. Department of Education:		
Upward Bound Program for ELL	84.047	257,213
Passed through Passaic County Community College:		
PCCC/Rowan Science Workforce Partnership: Chemistry and Biochemistry Methods and Applications	84.031	2,953
Passed through New Jersey Commission on Higher Education:		
C.H.A.M.P./GEAR-UP Program at Rowan University	84.334	405,698
Teacher Quality Partnership Grants:		
Garden State Partnership	84.336	464,978
Passed through State of New Jersey Department of Education:		
Formative Assessment and Instructional Interventions for Learning in Mathematics	84.366	226,830
Articulation of Content, Expectations, and Standards in Math and Science (ACES)	84.366	448
Math and Science Partnership Program	84.366	355,369
		<u>582,647</u>
AIM High Science & Technology Academy	84.378	193,493
Total U.S. Department of Education		<u>1,906,982</u>

**ROWAN UNIVERSITY**  
(A Component Unit of the State of New Jersey)  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2014

<u>Federal grantor/pass-through grantor/program or cluster title</u>	<u>Federal CFDA/grant number</u>	<u>Current year expenditures</u>
U.S. Department of Health and Human Services: Campus Suicide Prevention Grant	92.243	\$ 44,207
Federal Emergency Management Agency: Passed through Clery Center for Security on Campus: Docu-drama to Create Awareness of Fire Safety in Off-campus College Housing and Settings	97.044	14,214
The Library of Congress: Passed through Waynesburg University: Lesson Designs for Teaching with Primary Sources	42.UNK	<u>3,212</u>
Total expenditures of Federal awards		\$ <u><u>133,972,310</u></u>

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



**ROWAN UNIVERSITY**  
(A Component Unit of the State of New Jersey)  
Schedule of Expenditures of State of New Jersey Awards  
Year ended June 30, 2014

<b>State of New Jersey grantor/pass-through grantor/program or cluster title</b>	<b>Grant/account number</b>	<b>Grant amount</b>	<b>Grant period</b>	<b>Current year expenditures</b>
Research and Development Cluster:				
New Jersey Department of Transportation:				
Laser Scanning Aggregates for Real Time Property Identification	49997-11-25	\$ 125,603	06/01/13 – 05/30/15	\$ 44,813
2013-02 Alternatives to Nuclear Density Testing	99ROW1-14-60170 – Task Order 20	210,885	09/01/13 – 08/31/15	199
Passed through Rutgers, The State University of New Jersey:				
Rejuvenating Agents with RAP in HMA	Task Order 272	90,180	08/01/11 – 08/31/13	53,317
Correlation of MSCR Results in Polymer Modification Binder	Task Order 18	398,926	07/01/09 – 09/30/13	32,422
New Jersey Department of Health:				
Glucuronidation & Autism (Autism Pilot Projects) 2013	CAUT13APL016	399,565	06/24/13 – 06/30/15	39,926
Nursing Home Mental Health & Behaviors Intervention	—	453,303	10/02/12 – 10/01/14	205,074
Comprehensive Care Center for Huntington Disease	DFHS13HDS001	308,140	07/01/12 – 06/30/13	101,986
Comprehensive Care Center for Huntington Disease	DFHS14HDS001	309,070	07/01/13 – 06/30/14	179,679
Total Research and Development Cluster				657,416
New Jersey Department of Military & Veterans Affairs:				
Rowan University G.I.S. Intern	3620-100-067-3620-129-P902-3620	125,000	05/15/10 – 12/31/15	115,224
NJARNG/Rowan University Energy Intern Program	—	51,228	06/01/14 – 09/30/14	7,891
National Guard Environmental Internship	—	129,323	10/01/13 – 09/30/14	75,665
Total New Jersey Department of Military & Veterans Affairs				198,780
New Jersey Commission on Higher Education:				
C.H.A.M.P./GEAR-UP Program at Rowan University	13YR2-809170-0004	386,771	09/26/12 – 09/25/13	94,185
C.H.A.M.P./GEAR-UP Program at Rowan University	14YR2-809170-0004	386,771	09/26/13 – 09/25/14	386,771
2014 NCCEP / GEAR-UP Capacity Building Workshop	—	23,619	11/14/13 – 04/30/14	21,505
C.H.A.M.P./GEAR-UP Statewide Academic Showcase	—	4,277	10/25/13 – 06/30/14	3,392
GEAR-UP Summer Activity	—	4,245	04/16/14 – 06/30/14	1,780
NJ GEAR-UP State Project Technology Activity Grant	—	22,623	09/24/13 – 12/31/13	22,621
GEAR-UP Spring 2014 Mentor Activity Grant	—	7,629	05/27/14 – 06/30/14	5,157
Total New Jersey Commission on Higher Education				535,411
Student Financial Assistance Cluster:				
New Jersey Commission on Higher Education:				
Educational Opportunity Fund Summer (Camden Campus)	2401-100-2401-002	117,803	06/01/13 – 08/31/13	3,468
Educational Opportunity Fund Summer (Camden Campus)	2401-100-2401-002	117,803	06/01/14 – 08/31/14	111,288
Educational Opportunity Fund Summer (Main Campus)	2401-100-2401-002	350,890	06/01/13 – 08/31/13	331,460
Educational Opportunity Fund Summer (Main Campus)	2401-100-2401-002	350,890	06/01/14 – 08/31/14	17,972
Educational Opportunity Fund	2401-100-074-2401-001	816,482	07/01/13 – 06/30/14	816,482
GEAR-UP	0001055904	76,802	07/01/13 – 06/30/14	76,208
Higher Education Student Assistance Authority:				
Governor's Urban Scholarship Program	2405-100-074-2405-329	20,000	07/01/13 – 06/30/14	20,000
Tuition Aid Grant Program	2405-100-074-2405-007	12,928,560	07/01/13 – 06/30/14	12,928,560
Urban Scholars Program	2405-100-074-2405-278	1,860	07/01/13 – 06/30/14	1,860

**ROWAN UNIVERSITY**  
(A Component Unit of the State of New Jersey)  
Schedule of Expenditures of State of New Jersey Awards  
Year ended June 30, 2014

<b>State of New Jersey grantor/pass-through grantor/program or cluster title</b>	<b>Grant/account number</b>	<b>Grant amount</b>	<b>Grant period</b>	<b>Current year expenditures</b>
New Jersey College Loans to Assist State Students	2405-100-074-2405-003	\$ 5,217,655	07/01/13 – 06/30/14	\$ 5,217,655
New Jersey Student Tuition Assistance Reward Scholarship Program	2405-100-074-2405-313	336,990	07/01/13 – 06/30/14	336,990
Total Student Financial Assistance Cluster				<u>19,861,943</u>
New Jersey Department of Health:				
New Jersey Governor's Council for Medical Research and Treatment of Autism:				
Comparing RDI and ABA/VB to Treatment as Usual on Joint and Communication in Preschool Children with Autism	CAUT13APL015	394,204	06/21/13 – 06/30/15	101,883
New Jersey Department of Agriculture:				
Soil Disturbance Internship Project	—	42,987	10/01/13 – 02/14/14	39,852
New Jersey Department of State:				
New Jersey Council for Humanities:				
The Presidency and Race Fifty Years After the Civil Rights Act of 1964	2014-04	2,450	01/01/14 – 02/28/14	2,446
New Jersey Department of Children and Families:				
Psychological Services for Abused and Neglected Children	13BYDS	197,890	07/01/12 – 06/30/13	31,845
Psychological Services for Abused and Neglected Children	14BYDS	197,890	07/01/13 – 06/30/14	197,890
Psychological Services for Abused and Neglected Children				<u>229,735</u>
Child Abuse and Foster Care Services	13XDDS	2,415,494	07/01/12 – 06/30/13	47,350
Child Abuse and Foster Care Services	14XDDS	6,021,428	07/01/13 – 06/30/14	4,836,150
Child Abuse and Foster Care Services				<u>4,883,500</u>
Children's Mental Health	13LSMR	100,000	01/01/13 – 06/30/13	4,180
Children's Mental Health	14LSMR	200,000	07/01/13 – 06/30/14	179,713
Children's Mental Health				<u>183,893</u>
Total New Jersey Department of Children and Families				<u>5,297,128</u>
New Jersey Department of Human Services:				
Division of Development Disabilities:				
Psychiatric Services for Dually Diagnosed Persons	50DL13R	1,333,797	07/01/12 – 06/30/13	38,857
Psychiatric Services for Dually Diagnosed Persons	04ME14S	899,778	07/01/13 – 06/30/14	868,665
Psychiatric Services for Dually Diagnosed Persons	04ME15S	899,778	07/01/14 – 06/30/15	62
Psychiatric Services for Dually Diagnosed Persons				<u>907,584</u>
Division of Mental Health Services:				
Crisis Consultation and Community Outreach Program	40008	374,690	07/01/12 – 06/30/13	3,362
Crisis Consultation and Community Outreach Program	40008	374,690	07/01/13 – 06/30/14	361,569
Crisis Consultation and Community Outreach Program				<u>364,931</u>
Total New Jersey Department of Human Services				<u>1,272,515</u>

**ROWAN UNIVERSITY**  
(A Component Unit of the State of New Jersey)  
Schedule of Expenditures of State of New Jersey Awards  
Year ended June 30, 2014

<b>State of New Jersey grantor/pass-through grantor/program or cluster title</b>	<b>Grant/account number</b>	<b>Grant amount</b>	<b>Grant period</b>	<b>Current year expenditures</b>
New Jersey Department of the Treasury:				
Educational Opportunity Fund – Article IV:				
Academic Year – Camden Campus	2401-100-2401-002	\$ 177,803	07/01/13 – 06/30/14	\$ 158,654
Academic Year – Main Campus	2401-100-2401-002	261,700	07/01/13 – 06/30/14	229,647
SOM Summer Preparation FY 13/14	—	60,743	06/01/13 – 07/31/14	37,329
SOM Pre-Matric Program FY 13/14	—	5,574	06/01/13 – 07/31/14	5,034
SOM Summer Preparation FY 14/15	—	60,743	06/01/14 – 07/31/15	20,807
SOM Pre-Matric Program FY 14/15	—	5,574	06/01/14 – 07/31/15	470
Total New Jersey Department of the Treasury				<u>451,941</u>
New Jersey Department of State:				
State of New Jersey Appropriation	—	88,792,000	07/01/13 – 06/30/14	<u>88,792,000</u>
Total New Jersey Department of State				<u>88,792,000</u>
Interdepartmental Accounts:				
State Fringe Benefits Other Than FICA	—	58,138,900	07/01/13 – 06/30/14	58,138,900
FICA – State Colleges and Universities:				
Reimbursement Program	—	11,130,728	07/01/13 – 06/30/14	<u>11,130,728</u>
Total Interdepartmental Accounts				<u>69,269,628</u>
New Jersey Educational Facilities Authority:				
Higher Education Capital Improvement Grant:				
Westby Hall and Bozarth Hall HVAC Renovation and Replacement	046-05	7,934,403	dated 3/1/2014	27,770
Wilson Hall Window Replacement	046-07	1,030,885	dated 3/1/2014	221,692
Camden Bank Renovations – Phase II	046-09	17,622,760	dated 3/1/2014	<u>136,617</u>
Total Higher Education Capital Improvement Grant				<u>386,079</u>
Equipment Leasing Fund:				
Data Storage	046-11	750,000	dated 1/1/2014	280,426
Higher Education Technology Infrastructure Fund:				
Web Site Rebuild	046-10	350,000	dated 1/1/2014	350,000
Upgrade of Technology Enhanced Classrooms	046-14	101,060	dated 1/1/2014	5,212
Banner Upgrade	046-16	468,575	dated 1/1/2014	103,224
Dark Fiber Network Upgrade	046-17	464,186	dated 1/1/2014	464,186
Cave Technology	046-18	978,161	dated 1/1/2014	488,593
Swipe Card System	046-19	1,280,000	dated 1/1/2014	<u>50,995</u>
Total Higher Education Technology Infrastructure Fund				<u>1,462,210</u>
Total New Jersey Educational Facilities Authority				<u>2,128,715</u>

**ROWAN UNIVERSITY**  
(A Component Unit of the State of New Jersey)  
Schedule of Expenditures of State of New Jersey Awards  
Year ended June 30, 2014

<b>State of New Jersey grantor/pass-through grantor/program or cluster title</b>	<b>Grant/account number</b>	<b>Grant amount</b>	<b>Grant period</b>	<b>Current year expenditures</b>
Secretary of Higher Education				
Building our Future Bond Act:				
Rohrer College of Business Building	046-03	\$ 40,393,881	dated 3/1/2014	\$ 152,077
College of Engineering Facility Expansion	046-04	45,958,106	dated 3/1/2014	153,404
Total Building our Future Bond Act				305,481
Total Secretary of Higher Education				305,481
Total expenditures of State of New Jersey awards				\$ 188,915,139

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, 2014

**(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 2014 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 and Loans for Disadvantaged Students**

The University administers and accounts for certain aspects of the Federal Perkins Loan program (CFDA 84.038) and Loans for Disadvantaged Students (CFDA 93.342). The University's basic financial statements include the program's net position and transactions. The balance of loans outstanding under these programs as of June 30, 2014 were as follows:

	<b>Federal perkins loan program</b>	<b>Loans for disadvantaged students</b>
Beginning balance	\$ 4,632,111	471,707
New loans issued	500,000	152,000
Payments	(684,443)	(51,784)
Deleted loans	(1,000)	—
Adjustments	(380,408)	—
Write offs	(114)	—
Cancellations	(800)	—
Ending balance	<u>\$ 4,065,346</u>	<u>571,923</u>

**(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, 2014.

**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, 2014

**(4) Subrecipients**

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

<b>Program or cluster title</b>	<b>Federal CFDA number</b>	<b>Amount provided to subrecipients</b>
U.S. Army Medical Research Acquisition Act – Developing Treatment	12.420	\$ 19,820
Restricted Use License Program For Suspended Drivers	20.237	67,270
Teen Driver Safety Metrics	20.237	526
Collaborative Research: TUES: Vertical Integration of Concepts Laboratory Experiences in Biometrics Across the Four Year Electrical & Computer Engineering Curriculum	47.076	6,250
Musical Signals & Systems: Undisciplined Education in a Multi- Campus System	47.076	42,337
Collaborative Research: CI – Team Demonstration – Interactive and Collaborative Learning Environment Using Virtual Reality Games	47.080	1,550
AHEC	93.107	229,750
Model State-Supported Area Health EDU	93.107	66,667
Geriatric Training Program	93.156	162,794
Game-based Contingency Management for Smoking Cessation	93.279	280,619
Geriatric Education Program	93.969	53,836



**KPMG LLP**  
New Jersey Headquarters  
51 John F. Kennedy Parkway  
Short Hills, NJ 07078-2702

**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, in accordance with the 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 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, 2014, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated October 31, 2014. Our report contained an emphasis of matter paragraph regarding the University's adoption of Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities* and Governmental Accounting Standards Board Statement No. 69, *Governmental Combinations and Disposal of Government Operations*. The financial statements of Rowan University Foundation and South Jersey Technology Park at Rowan University, Inc., component units of Rowan University, were not audited in accordance with *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

A deficiency in internal control 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, 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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the University's financial statements are free from 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*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

October 31, 2014





**KPMG LLP**  
New Jersey Headquarters  
51 John F. Kennedy Parkway  
Short Hills, NJ 07078-2702

**Independent Auditors' Report on Compliance for Each Major Federal and State of New Jersey Program; Report on Internal Control over Compliance; and Report on Schedules of Expenditures of Federal and State of New Jersey Awards Required by Federal OMB Circular A-133 and New Jersey OMB Circular 04-04**

The Board of Trustees  
Rowan University:

**Report on Compliance for Each Major Federal and State of New Jersey Program**

We have audited Rowan University's (the University) compliance with the types of compliance requirements described in the 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, 2014. The University's major Federal and State of New Jersey programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its Federal and State of New Jersey programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the University's major Federal and State of New Jersey programs based on our audit of the types of compliance requirements referred to above. 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 and 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unmodified and modified audit opinions on compliance. However, our audit does not provide a legal determination of the University's compliance.

***Basis for Qualified Opinion on C.H.A.M.P./GEAR-UP Program At Rowan University***

As described in the accompanying schedule of findings and questioned costs, the University did not comply with requirements regarding the CFDA 84.334 C.H.A.M.P./GEAR-UP Program At Rowan University as



described in finding 2014-004 for Allowable Costs/Cost Principles and Reporting. Compliance with such requirements is necessary, in our opinion, for the University to comply with the requirements applicable to that program.

#### ***Qualified Opinion on C.H.A.M.P./GEAR-UP Program At Rowan University***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the C.H.A.M.P./GEAR-UP Program At Rowan University for the year ended June 30, 2014.

#### ***Unmodified Opinion on Each of the Other Major Federal and State of New Jersey Programs***

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major Federal and State of New Jersey programs for the year ended June 30, 2014.

#### ***Other Matters***

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with Federal OMB Circular A-133 and New Jersey OMB Circular 04-04 and which are described in the accompanying schedule of findings and questioned costs as items 2014-001, 2014-002, 2014-003, and 2014-005. Our opinion on each major Federal and State of New Jersey program is not modified with respect to these matters.

The University's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The University's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

#### **Report on Internal Control over Compliance**

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal and State of New Jersey program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal and State of New Jersey program 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2014-004 to be a material weakness.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2014-001, 2014-002, 2014-003, and 2014-005 to be significant deficiencies.

The University's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The University's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Federal OMB Circular A-133 and New Jersey OMB Circular 04-04. Accordingly, this report is not suitable for any other purpose.

**Report on Schedules of Expenditures of Federal and State of New Jersey Awards Required by OMB Circular A-133 and New Jersey OMB Circular 04-04**

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, 2014, and the related notes to the financial statements, which collectively comprise the University's basic financial statements. We issued our report thereon dated October 31, 2014, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. 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 State of New Jersey OMB Circular 04-04 and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

**KPMG LLP**

March 26, 2015

**ROWAN UNIVERSITY**  
(A Component Unit of the State of New Jersey)  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2014

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

- (a) Unmodified 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, 2014, 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, 2014.
- (c) The audit disclosed no instances of noncompliance considered to be material to the basic financial statements of the University as of and for the year ended June 30, 2014.
- (d) The audit disclosed one material weakness (2014-004) in connection with major Federal programs and no material weaknesses in connection with major State of New Jersey programs of the University for the year ended June 30, 2014. Three significant deficiencies (2014-001, 2014-002, and 2014-003) were reported in connection with major Federal programs and one significant deficiency (2014-005) was reported in connection with major State of New Jersey programs of the University for the year ended June 30, 2014.
- (e) A qualified opinion was issued on the University's compliance with the C.H.A.M.P./GEAR-UP Program at Rowan University for the year ended June 30, 2014. An unmodified opinion was issued for each of the other major Federal and State of New Jersey programs for the year ended June 30, 2014.
- (f) There were four audit findings (2014-001, 2014-002, 2014-003, and 2014-004) which are required to be reported under Section 510(a) of Federal OMB Circular A-133 and one audit finding (2014-005) which is required to be reported under New Jersey OMB Circular 04-04 for the year ended June 30, 2014.
- (g) The major Federal and State of New Jersey programs of the University for the year ended June 30, 2014 were as follows:

**Federal**

- Student Financial Assistance Cluster (various CFDA numbers)
- Research and Development Cluster (various CFDA numbers)
- C.H.A.M.P./GEAR-UP Program at Rowan University (CFDA # 84.334)
- Math and Science Partnership Program (CFDA # 84.366)

**State of New Jersey**

- Student Financial Assistance Cluster
- State of New Jersey Appropriations

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

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

- State Paid Fringe Benefits Other Than FICA
  - FICA – State Colleges and Universities: Reimbursement Program
  - Child Abuse and Foster Care Services
- (h) The dollar thresholds used to distinguish between type A and type B programs were \$300,000 for Federal awards and \$3,000,000 for State of New Jersey awards for the year ended June 30, 2014.
- (i) The University qualified as a low risk auditee for Federal and State of New Jersey awards for the year ended June 30, 2014.

**(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**

***2014-001 Subrecipient Monitoring***

U.S. Department of Health and Human Services:

Research and Development Cluster:

Geriatric Training Program (CFDA #93.156)

Geriatric Education Center (CFDA #93.969)

**Federal Grant Numbers:** D01HP26036, UB4HP26039

**Criteria**

A pass-through entity is responsible for:

- *Award Identification* – At the time of the subaward, identifying to the subrecipient the Federal award information (i.e., CFDA title and number; award name and number; if the award is research and development; and name of Federal awarding agency) and applicable compliance requirements.
- *Subrecipient Audits* – (1) Ensuring that subrecipients expending \$500,000 or more in Federal awards during the subrecipient's fiscal year for fiscal years ending after December 31, 2003 as provided in OMB Circular A-133 have met the audit requirements of OMB Circular A-133 (the circular is available at <http://www.whitehouse.gov/omb/circulars/a133/a133.html>) and that the required audits are completed within 9 months of the end of the subrecipient's audit period; (2) issuing a management decision on audit findings within 6 months after receipt of the subrecipient's audit report; and (3) ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions.

**ROWAN UNIVERSITY**  
(A Component Unit of the State of New Jersey)  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2014

**Condition**

The School of Osteopathic Medicine (SOM) became a unit of Rowan University (the University) effective July 1, 2013, as a result of the New Jersey Medical and Health Sciences Education Restructuring Act (Chapter 45, P.L. 2012), which was passed by the New Jersey Senate and Assembly on June 28, 2012.

As part of its subrecipient monitoring policies and procedures, the University sends confirmations to each of its subrecipients on an annual basis in order to confirm whether the organizations are in compliance with the audit requirements of OMB Circular A-133.

During our testwork, the following was noted:

- For three of the five subrecipients selected, we noted that for these federal awards administered through SOM, there is no mechanism in place for SOM to track whether their subrecipients have expended \$500,000 or more in federal awards and have a need for an OMB Circular A-133 audit and, in turn, whether SOM should be following up on any audits performed.
- For one of the five subrecipients selected, SOM did not communicate any of the required Federal award information and applicable compliance requirements to the subrecipient. Total funds passed through to the subrecipient during the fiscal year ended June 30, 2014, was \$35,000.

Total funds passed through to subrecipients during the fiscal year ended June 30, 2014 were as follows: CFDA #93.156 – \$162,794, CFDA #93.969 – \$53,836. Total Research and Development (R&D) funds passed through to subrecipients by the SOM was \$686,088 during the fiscal year ended June 30, 2014.

**Cause**

SOM did not adopt the University's current policies and procedures to communicate the required Federal award information and applicable compliance requirements to their subrecipients or to ensure it monitors any subrecipients who may be required to meet the audit requirements of OMB Circular A-133.

**Effect**

SOM does not appear to be fulfilling all of its subrecipient monitoring responsibilities. Failing to include the federal grant award information at the time of award may cause subrecipients and their auditors to be uninformed about specific program and other regulations that apply to the funds they receive. There is also potential for subrecipients to have incomplete schedules of expenditures of federal awards (SEFAs) in their OMB Circular A-133 Single Audit reports and federal funds may not be properly audited at the subrecipient level in accordance with the Single Audit Act and OMB Circular A-133.

**Questioned Costs**

There are no known questioned costs related to this finding.

**Recommendation**

We recommend that SOM implement policies and procedures to ensure communication of Federal award information and compliance requirements to all subrecipients prior to authorizing an award. We also

**ROWAN UNIVERSITY**  
(A Component Unit of the State of New Jersey)  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2014

recommend that SOM develop procedures to ensure it adequately tracks and monitors possible audits required for its subrecipients.

**View of Responsible Official**

Due to the integration, there were roles that were not adequately transitioned over when SOM became part of Rowan University. There were several offices involved in contractual obligations and monitoring of subrecipient awards.

***2014-002 Period of Availability***

U.S. Department of Defense:

Research and Development Cluster:

Passed Through the Robert Wood Johnson Medical School:

U.S. Army Medical Research Acquisition Act – Developing Treatment (CFDA #12.420)

**Federal Grant Number:** W81XWH-08-1-0729

**Criteria**

Federal awards may specify a time period during which the non-Federal entity may use the Federal funds. Where a funding period is specified, a non-Federal entity may charge to the award only costs resulting from obligations incurred during the funding period and any pre-award costs authorized by the Federal awarding agency. Also, if authorized by the Federal program, unobligated balances may be carried over and charged for obligations of a subsequent funding period. Obligations means the amounts of orders placed, contracts and subgrants awarded, goods and services received, and similar transactions during a given period that will require payment by the non-Federal entity during the same or a future period.

Non-Federal entities shall liquidate all obligations incurred under the award not later than 90 days after the end of the funding period (or as specified in a program regulation). The Federal agency may extend this deadline upon request.

**Condition**

The U.S. Department of Defense issued the University's School of Osteopathic Medicine (SOM) a contract in the amount of \$102,524 with an effective contract period of September 16, 2008 to October 15, 2013. For nine of the twenty-one expenditure transactions selected for testwork, the amounts were obligated and expenditures were incurred after the grant period (October 15, 2013) had expired. The total of the nine expenditures charged after the grant period had expired was \$11,812.

The total expenditures included in the sample of twenty-one transactions was \$29,244 and the total expenditures charged to the federal award was \$108,425 for the fiscal year ended June 30, 2014.

**Cause**

SOM became a unit of Rowan effective July 1, 2013, as a result of the New Jersey Medical and Health Sciences Education Restructuring Act (Chapter 45, P.L. 2012), which was passed by the New Jersey Senate and Assembly on June 28, 2012.

**ROWAN UNIVERSITY**  
(A Component Unit of the State of New Jersey)  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2014

As a result of these organizational changes at the University effective July 1, 2013, there were delays in processing transactions related to SOM which enabled grant expenditures to be incurred past the contract award end date.

**Effect**

The University charged ineligible costs to the Federal contract as these costs were obligated and incurred after the contract's period of availability had expired.

**Questioned Costs**

Questioned costs of \$11,812 represent the expenditures charged to the U.S. Department of Defense grant award after the period of availability had expired.

**Recommendation**

We recommend that the University implement policies and procedures to ensure that Federal grant and contract expenditures are closely monitored and occur within the award period.

**View of Responsible Official**

Due to the integration and a delay in properly addressing cost transfers, a small portion of the expenditures were not properly expensed. Although late in processing, cost transfers have been executed to correct most of the error. Cost transfers for the last improper expenditures are currently being routed for signature.

***2014-003 Borrower Data Transmission and Reconciliation***

U.S. Department of Education:  
Student Financial Assistance Cluster:  
Federal Direct Student Loan Program (CFDA #84.268)

**Federal Grant Number:** P268K140267

**Criteria**

Institutions must report all loan disbursements and submit required records to the Direct Loan Servicing System (DLSS) via the United States Common Origination and Disbursement (COD) within 30 days of disbursement (OMB No. 1845-0021). Each month, the COD provides institutions with a School Account Statement (SAS) data file which consists of a Cash Summary, Cash Detail, and (optional at the request of the school) Loan Detail records. The school is required to reconcile these files to the institution's financial records. Since up to three Direct Loan program years may be open at any given time, schools may receive three SAS data files each month (34 CFR sections 685.102(b), 685.301, and 303).

**Condition**

On a monthly basis, the University receives the Student Account Statement, which it reconciles to its general ledger system, Banner. For one of the fifty students selected for borrower data transmission and reconciliation testwork, the Federal Direct Student Loan disbursement data was not submitted within the required timeframe to COD. The disbursement was reported to COD eleven months late. The Federal Direct



**ROWAN UNIVERSITY**  
(A Component Unit of the State of New Jersey)  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2014

Student Loan disbursement to this student was \$2,722; the total Federal Direct Student Loan disbursements to the fifty students included in our sample were \$735,391.

**Cause**

During the reconciliation of the SAS to the University's loan records, discrepancies between the two were noted, however due to the lack of personnel, the discrepancies were not reviewed or corrected in a timely fashion.

**Effect**

Potential inaccuracies with Direct Loan disbursement dates and amounts may not be detected and corrected in a timely manner.

**Questioned Costs**

There are no known questioned costs related to this finding.

**Recommendation**

We recommend that the University take appropriate steps to ensure the disbursement data is reported to COD within the required timeframe.

**View of Responsible Official**

Coinciding with the first fiscal year's transition following the enactment of the New Jersey Medical and Health Sciences Education Restructuring Act, the Financial Aid Department within Rowan University experienced major personnel changes. These changes occurred on all levels, including but not limited to senior and technical management positions within the Department. As a result of these changes along with the addition of the Stratford Campus to oversee, some of the reconciliation processes were not system captured and processed in a timely manner. The Department is in the process of rebuilding and training personnel to accommodate the growth projections of the University. Financial Aid "Best Practices" have been and will continue to be implemented.

***2014-004 Allowable Costs/Cost Principles and Reporting***

U.S. Department of Education:

C.H.A.M.P./GEAR-UP Program at Rowan University (CFDA #84.334)

**Federal Grant Number:** 13YR2-809170-0004

**Criteria**

*Allowable Costs/Cost Principles*

In addition to the general criteria applicable to both direct and indirect costs, the basic guidelines affecting the allowability of costs (direct and indirect) are identified in section C. of A-21. To be allowable under Federal awards, costs must meet the following general criterion:

**ROWAN UNIVERSITY**  
(A Component Unit of the State of New Jersey)  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2014

- h. With respect to fringe benefit allocations, charges, or rates, such allocations, charges, or rates are to be based on the benefits received by different classes of employees within the educational institution.

*Reporting*

Per Section V of the grant agreement, *Financial and Performance Reporting*:

- G. An original and one copy of an Annual Performance Report Form, signed by the president (or his/her designee) of the institution shall be submitted to the Office of the Secretary of Higher Education (OSHE) by the Contractor on or before March 4, 2014.

The Annual Performance Report shall include the activities and expenditures for the project that have been completed as of February 28, 2014.

**Condition**

The University manually posts fringe benefits to the general ledger based on the salary expense charged to the account on a monthly basis. For manual adjustments of salaries from one grant to another, separate entries need to be posted in order to ensure accuracy of the fringe benefits charged to each respective grant. Further, on an annual basis, the University prepares the Annual Performance Report for the previous grant year based on the data extracted from Banner.

During fiscal year 2014, an adjusting entry was posted to move salaries originally charged to the grant year 2013 C.H.A.M.P./GEAR-UP Program at Rowan University grant (GEAR-UP grant) to another grant due to those salaries not being allocable to the GEAR-UP grant. However, the associated fringe benefits charged were not properly adjusted from the GEAR-UP grant. The total fringe benefits associated with this entry were \$42,195. Further, the Annual Performance Report for this GEAR-up grant was completed and submitted in March 2014. This report included the \$42,195 of fringe benefits improperly charged to the grant, therefore the report was overstated by \$42,195.

**Cause**

The individual who posted the adjustment to salaries overlooked the fringe benefits associated with the salaries being adjusted.

**Effect**

Fringe benefits were improperly charged to the grant.

**Questioned Costs**

Questioned costs of \$42,195 represent the total salary adjusted from the grant (\$93,043) multiplied by the fringe benefit rate at the time those salaries were charged (45.35%).

**Recommendation**

We recommend that the Organization take appropriate steps to ensure that when salary adjustments are posted to grant accounts, the respective fringe benefits are adjusted accordingly.

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

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

**View of Responsible Official**

As was noted in the finding, when salary was moved to a different account, fringe benefits associated with those salary costs were not moved accordingly as a result of human error. The questioned costs of \$42,195 will be returned to the sponsoring agency and a revised report will be submitted. The University is evaluating the implementation of a method for the automated calculation of fringe benefits.

**State of New Jersey Awards**

***2014-005 Reporting***

New Jersey Department of Children and Families  
Child Abuse and Foster Care Services:

**State Grant Number:** 14XDDS

**Criteria**

Per the grant agreement:

Rowan University is required to submit the following reports to the Southern Business Office to the attention of their Contract Administrator:

- Quarterly Expenditure Reports
- Final Detailed Expenditure Report (within 120 days of the end of the final quarter)

**Condition**

The School of Osteopathic Medicine (SOM) became a unit of Rowan University (the University) effective July 1, 2013, as a result of the New Jersey Medical and Health Sciences Education Restructuring Act (Chapter 45, P.L. 2012), which was passed by the New Jersey Senate and Assembly on June 28, 2012. The Child Abuse and Foster Care Services grant is a recurring grant that is issued to SOM on an annual basis. As part of the reporting process, the respective program investigator/administrator compiles the data necessary to prepare and submit the report in a timely fashion.

During our testwork, the following was noted:

- For the report submitted for the quarters ended September 30, 2013 and December 31, 2013 (submitted as one report rather than two quarterly reports), documentation could not be provided to support the financial data reported.
- The Final Detailed Expenditure Report was not submitted within 120 days of the end of the final quarter. Further, the University did not obtain an extension on the 120 day due date.

**ROWAN UNIVERSITY**  
(A Component Unit of the State of New Jersey)  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2014

**Cause**

The individual who was responsible for preparing the reports left the University.

**Effect**

The quarterly expenditure report could have incorrect information included. The required final expenditure detail report was not properly submitted to the State of New Jersey in a timely fashion.

**Questioned Costs**

There are no known questioned costs related to this finding.

**Recommendation**

We recommend that the University take the appropriate steps to ensure that required reports are prepared and submitted in a timely fashion.

**View of Responsible Official**

The reports in question were the responsibility of the Child Abuse Research Education & Service (CARES) Institute, though Sponsored Programs assists. Due to administrative changes within the CARES Institute, the completion and submission of the financial reports for fiscal year 2014 were delayed. The overdue reports are currently being finalized and will be submitted soon, so that fiscal year 2014 can be closed out.



## **CORRECTIVE ACTION PLAN**

### **2014-001 Subrecipient Monitoring**

National Institutes of Health:

Research and Development Cluster:

Geriatric Training Program (CFDA # 93.156)

Geriatric Education Center (CFDA # 93.969)

Federal Grant Numbers: D01HP26036, UB4HP26039

Due to the New Jersey Medical and Health Sciences Education and Restructuring Act which integrated the School of Osteopathic Medicine (SOM) in Stratford, NJ (formerly under the University of Medicine and Dentistry of New Jersey) with Rowan University (Rowan), there were roles that were not adequately transitioned over when SOM became part of Rowan. There were several offices involved in contractual obligations and monitoring of subrecipient awards.

There is now, per Rowan policy and procedures, one office responsible on the SOM Campus – SOM Sponsored Programs. A matrix of roles and responsibilities is currently being finalized, which will identify responsible parties. A meeting has been held to discuss these roles and to let staff know what will be expected of them. Going forward, all Federal award information and compliance requirements of subrecipients will be communicated prior to authorizing an award, following all Rowan University processes and procedures, which are now standard for all campuses.

Estimated Date of Completion: April 30, 2015

Contact: Sarah Piddington

Director of Research

Phone: (856) 256-5482

### **2014-002 Period of Availability**

U.S. Department of Defense:

Research and Development Cluster:

Passed Through the Robert Wood Johnson Medical School:

U.S. Army Medical Research Acquisition Act – Developing Treatment (CFDA # 12.420)

Federal Grant Number: W81XWH-08-1-0729



Due to the New Jersey Medical and Health Sciences Education and Restructuring Act which integrated the School of Osteopathic Medicine (SOM) in Stratford, NJ (formerly under the University of Medicine and Dentistry of New Jersey) with Rowan University (Rowan) and a delay in properly addressing cost transfers, a small portion of the expenditures were not properly expensed. Although late in processing, cost transfers have been executed to correct most of the error. Cost transfers for the last improper expenditures are currently being routed for signature. Going forward, staff have been made aware of, and been trained on Rowan University processes and procedures and will follow those moving forward.

Estimated Date of Completion: completed

Contact: Sarah Piddington  
Director of Research  
Phone: (856) 256-5482

#### **2014-003 Borrower Data Transmission and Reconciliation**

U.S. Department of Education:  
Student Financial Assistance Cluster:  
Federal Direct Student Loan Program (CFDA # 84.268)  
Federal Grant Number: P268K140267

Beginning November 1, 2014, external reconciliations began on a monthly basis. This is done by comparing internal records to Department of Education records on grants and/or loans originated and disbursed. In addition, an internal audit is completed comparing Business Office records to Financial Aid Office records of federal funds awarded. The internal audit is conducted comparing the SAS Cash Summary figures to the school's internal records to determine discrepancies between the booked and un-booked records. The Ending Cash Balance is determined by doing a comparison of net draw downs from G5 against the actual booked disbursements that Rowan reports to COD.

#### **Estimated Date of Completion:**

Implemented and on going

Contact: Sandra L. Rollins  
Interim Director of Financial Aid  
Phone: (856) 256-4276



## **2014-004 Allowable Costs/Cost Principles and Reporting**

U.S. Department of Education:

C.H.A.M.P. / GEAR-UP Program at Rowan University (CFDA # 84.334)

Federal Grant Number: 13YR2-809170-0004

Rowan University's financial management system (Banner) includes functionality to automatically calculate fringe benefits which is not currently deployed. To prevent this type of error from occurring in the future, the Research Office intends to work with all relevant departments to work toward the implementation of this unused function, which will automatically change fringe benefit expenditures according to changes in salary expenditures.

Estimated Date of Completion: July 1, 2016

Contact: Sarah Piddington

Director of Research

Phone: (856) 256-5482

## **2014-005 Reporting**

New Jersey Department of Children and Families

Child Abuse and Foster Care Services

State Grant Number: 14XDDS

Rowan University will review how financial reports on grants related to the CARES Institute are handled and develop new processes/procedures in coordination with the CARES Institute to ensure that financial information is reviewed and distributed in a timely manner so that financial reports are submitted within reporting deadlines. The financial reports to DYFS are very complex and require the inclusion of information for all aspects of the CARES Institute, which have financial oversight by different departments in the University. The University will develop a process/method incorporating the varying sources so that reports can be prepared in a timely manner.

Estimated Date of Completion: June 30, 2015

Contact: Sarah Piddington

Director of Research

Phone: (856) 256-5482



**Summary of Prior Year Findings  
Year Ended June 30, 2014**

**Findings Related to the Financial Statements Reported in Accordance with Government Auditing Standards**

***2013-01 Information Technology (Legacy University of Medicine and Dentistry of New Jersey (UMDNJ)) \****

**Status:**

Legacy-UMDNJ's information technology (IT) systems that were integrated with Rowan University (the University) are now governed by University policies and procedures surrounding user access and review of user access rights, as well as change management controls, and are now aligned with existing University IT practices. University IT management continues to monitor School of Osteopathic Medicine's (SOM) systems to ensure that proper internal controls over user access and review of user access rights and change management procedures are being properly followed.

**Contact Person:**

**Mira Lalovic-Hand**, Vice President and CIO, 856-256-5120

**Anticipated Completion Date:**

Completed

**Findings Related to State of New Jersey Awards**

***2013-02 Information Technology (legacy UMDNJ)\****

**Status:**

Legacy-UMDNJ IT systems that were integrated with the University are now governed by University policies and procedures surrounding user access and review of user access rights, as well as change management controls, and are now aligned with existing University IT practices. University IT management continues to monitor SOM's systems to ensure that proper internal controls over user access and review of user access rights and change management procedures are being properly followed.

**Contact Person:**

**Mira Lalovic-Hand**, Vice President and CIO, 856-256-5120

**Anticipated Completion Date:**

Completed

***2013-03 Effort and Payroll Reporting (legacy UMDNJ)\****

**State Agency:** New Jersey Department of Health

**Award Title:** Child Abuse and Foster Care Services

**Award Number(s):** 13XDDS



**Status:**

Legacy-UMDNJ (SOM) programs that were integrated are now governed by the University's policies and procedures and administered through the University's Office of Sponsored Programs as well as SOM's Office of Sponsored Programs. This included the policies and procedures related to Effort Reporting and the related systems utilized to certify time.

As it relates to the program in question, Child Abuse and Foster Care Services, no exceptions were noted during testwork in the current fiscal year.

**Contact Person:**

Sarah Piddington, Director of Research, 856-256-5482

**Anticipated Completion Date:**

Completed

***2013-04 Allowable Costs (legacy UMDNJ)\****

**State Agency:** New Jersey Department of Health

**Award Title:** Child Abuse and Foster Care Services

**Award Number(s):** 13XDDS

**Status:**

Legacy-UMDNJ (SOM) programs that were integrated are now governed by the University's policies and procedures and administered through the University's Office of Sponsored Programs as well as SOM's Office of Sponsored Programs. This included the policies and procedures related to review and approval of costs to ensure allowability.

As it relates to the program in question, Child Abuse and Foster Care Services, no exceptions were noted during testwork in the current fiscal year.

**Contact Person:**

Sarah Piddington, Director of Research, 856-256-5482

**Anticipated Completion Date:**

Completed

\* On August 22, 2012 Governor Christie signed the "New Jersey Medical and Health Sciences Education Restructuring Act" into law. Effective July 1, 2013, the School of Osteopathic Medicine in Stratford, NJ (formerly under The University of Medicine and Dentistry of New Jersey) was integrated with the Rowan University. These findings were included in NJ OMB Circular 04-04 audit of the University of Medicine and Dentistry of New Jersey for the fiscal year ended June 30, 2013.



**Summary of Prior Year Findings**  
**Year Ended June 30, 2014**

**Findings Related to the Financial Statements Reported in Accordance with Government Auditing Standards**

***2013-01 Information Technology (Legacy University of Medicine and Dentistry of New Jersey (UMDNJ)) \****

**Status:**

Legacy-UMDNJ information technology (IT) systems that were integrated with Rowan University (the University) are now governed by University policies and procedures surrounding user access and review of user access rights, as well as change management controls, and are now aligned with existing Rowan IT practices. University IT management continues to monitor School of Osteopathic Medicine's (SOM) systems to ensure that proper internal controls over user access and review of user access rights and change management procedures are being properly followed.

**Contact Person:**

**Mira Lalovic-Hand**, Vice President and CIO, 856-256-5120

**Anticipated Completion Date:**

Completed

**Findings Related to Federal Awards**

***2013-001 – Period of Availability (Rowan University)***

**Federal Agency:** U.S. Air Force

**Award Title:** Research and Development Cluster

**CFDA Number(s):** 12.800

**Status:**

On July 1, 2013, the New Jersey Medical and Health Sciences Education Restructuring Act became effective and SOM was integrated with the University. There was a new Period of Availability finding for the SOM campus during fiscal year 2014, which was related to issues surrounding the merger.

The University implemented its corrective action plan from the fiscal year 2013 Period of Availability finding for the Glassboro campus and is working on the implementation of universal processes/procedures across all University campuses, including SOM. This will address the current year finding on grant number W81XWH-08-1-0729 from the SOM Campus.

**Contact Person:**

Sarah Piddington, Director of Research, 856-256-5482

**Anticipated Completion Date:**

Completed



***2013-02 – Effort Reporting (Legacy UMDNJ)\****

**Federal Agency:** U.S. Department of Health and Human Services

**Program Name:** Research and Development Cluster; CDC Project Grants and Cooperative Agreements – Tuberculosis Control; HRSA Consolidated Health Centers

**CFDA Number(s):** 93.855, 93.397, 93.116, 93.224

**Status:**

Legacy-UMDNJ (SOM) programs that were integrated are now governed by University policies and procedures and administered through the University's Office of Sponsored Programs as well as SOM's Office of Sponsored Programs. This included the policies and procedures related to Effort Reporting and the related systems utilized to certify time.

**Contact Person:**

Sarah Piddington, Director of Research, 856-256-5482

**Anticipated Completion Date:**

Completed

***2013-03 – Approval of Direct Costs (Legacy UMDNJ)\****

**Federal Agency:** U.S. Department of Health and Human Services

**Award Title:** Research and Development Cluster

**CFDA Number(s):** 93.702

**Status:**

Legacy-UMDNJ (SOM) programs that were integrated are now governed by University policies and procedures surrounding approval of federal expenditures and are now aligned with existing University practices.

**Contact Person:**

Sarah Piddington, Director of Research, 856-256-5482

**Anticipated Completion Date:**

Completed

***2013-04 – Subrecipient Monitoring (Legacy UMDNJ)\****

**Status:**

This was a repeat finding in the current fiscal year. As a result of the integration, there were roles that were not adequately transitioned over when SOM became part of the University. There were several offices involved in contractual obligations and monitoring of subrecipient awards.

There is now, per University policy and procedures, one office responsible on the SOM Campus – SOM Sponsored Programs. A matrix of roles and responsibilities is currently being finalized, which will identify responsible parties. A meeting has been held to discuss these roles and to let staff know what will be expected of them. Going forward, all Federal award information and compliance requirements of subrecipients will be communicated prior to authorizing an award, following all University processes and procedures, which are now standard for all campuses.



**Contact Person:**

Sarah Piddington, Director of Research, 856-256-5482

**Anticipated Completion Date:**

April 30, 2015

\* On August 22, 2012 Governor Christie signed the “New Jersey Medical and Health Sciences Education Restructuring Act” into law. Effective July 1, 2013, the School of Osteopathic Medicine in Stratford, NJ (formerly under The University of Medicine and Dentistry of New Jersey) was integrated with the Rowan University. These findings were included in A-133 audit of the University of Medicine and Dentistry of New Jersey for the fiscal year ended June 30, 2013.