



ROWAN UNIVERSITY

(A Component Unit of the State of New Jersey)

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

June 30, 2015

(With Independent Auditors' Reports Thereon)

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

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Independent Auditors' Report on Basic Financial Statements

The Board of Trustees
Rowan University:

Report on the Financial Statements

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, 2015 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. 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*.

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, 2015, 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 note 1 to the basic financial statements, as of July 1, 2014 the University adopted Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. 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 12 and the schedules of employer contributions and schedules of proportionate share of net pension liability as of June 30, 2015 on pages 50 and 51, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2016 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

Short Hills, New Jersey
January 15, 2016

ROWAN UNIVERSITY
(A Component Unit of the State of New Jersey)
Management's Discussion and Analysis (Unaudited)
June 30, 2015

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, 2015 with comparative information for the year ended June 30, 2014. 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 public research university located in Glassboro, with campuses in Camden, Stratford and Mantua Twp., 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 16,100 students an outstanding education at an exceptional value.

The University offers 66 undergraduate majors, 48 master's-level programs and seven doctoral and professional degree programs, including M.D. and D.O. degrees from its two medical schools – 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 Rowan SOM (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.

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 has named Rowan in its "Best in the Northeast" and included the William G. 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 its 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.

The University adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* (GASB 68). GASB 68 addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers. Certain University employees are provided with defined benefit pensions through the Public Employees' Retirement System (PERS), Police and Firemen's Retirement System (PFRS), and Teachers' Pension and Annuity Fund (TPAF), cost-sharing, multiple-employer defined benefit pension plans administered by the State of New Jersey, Division of Pensions and Benefits. In accordance with the provisions of GASB 68, the University has reported its proportionate share of PERS and PFRS net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense, and the employer pension expense and related revenue for TPAF which met the criteria for a special funding situation. As a result of the implementation of GASB 68, beginning unrestricted net position was restated as of July 1, 2014, resulting in a decrease of \$236.7 million. Furthermore, the University recognized a deferred outflow of resources of \$10.4 million, a net

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pension liability of \$252.7 million, a deferred inflow of resources of \$7.6 million and current year pension expense of \$13.6 million within the accompanying financial statements.

The GASB 68 reporting requirements govern the allocation of liabilities reported in the University's financial statements. They do not change the State's longstanding annual State budget tradition in which the State pays for the institutional fringe costs and the University reimburses them for certain positions.

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, 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. Restricted net position, expendable 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.

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A summary of the University's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position as of June 30, 2015 and 2014 follows:

	<u>2015</u>	<u>2014*</u>
	(In thousands)	
Current assets	\$ 172,101	223,092
Capital assets	686,070	672,026
Other noncurrent assets	109,830	35,938
Total assets	<u>968,001</u>	<u>931,056</u>
Deferred outflows of resources	30,565	18,596
Total assets and deferred outflows of resources	<u>\$ 998,566</u>	<u>949,652</u>
Current liabilities	\$ 93,275	88,556
Noncurrent liabilities	898,408	625,971
Total liabilities	<u>991,683</u>	<u>714,527</u>
Deferred inflows of resources	7,827	264
Total liabilities and deferred inflows of resources	<u>\$ 999,510</u>	<u>714,791</u>
Net position:		
Net investment in capital assets	\$ 113,210	91,062
Restricted expendable	26,902	27,404
Unrestricted	(141,056)	116,395
Total net (deficit) position	<u>\$ (944)</u>	<u>234,861</u>

* Amounts were not restated for GASB 68.

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 of resources consist of those related to pensions due to the implementation of GASB 68 and the loss 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, net pension liability and other long-term debt. Deferred inflows of resources consist of those related to pensions due to the implementation of GASB 68 and the gain on bond refinancing.

Fiscal Year 2015 Compared to 2014

The University's total assets and deferred outflows of resources increased \$48.9 million from \$949.7 million at June 30, 2014 to \$998.6 million at June 30, 2015. Current assets decreased \$51.0 million, capital assets increased

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June 30, 2015

\$14.0 million, other noncurrent assets increased \$73.9 million and deferred outflows of resources increased \$12.0 million. Within current assets, cash and cash equivalents decreased \$107.4 million. \$90.7 million of this decrease was a result of the purchase of investments.

Capital assets increased \$14.0 million and included construction and renovation projects and deferred maintenance projects. Within capital assets, the University invested over \$47.8 million in purchases of capital assets, net of transfers from construction in progress. Depreciation expense was \$34.1 million.

Other noncurrent assets increased \$73.9 million for the year ended June 30, 2015. Other noncurrent assets increased primarily due to a \$41.2 million increase in investments and a \$31.6 million increase in restricted deposits held by trustees.

Deferred outflows of resources increased \$12.0 million due to a net loss of \$1.6 million on the 2015 B bond issuance and fiscal year 2015 amortization as well as the recognition of a \$10.4 million deferred outflow related to the implementation of GASB 68. The 2015 B loss is being amortized annually over the life of the bonds. The deferred outflows related to pensions will be amortized in accordance with the GASB 68 guidelines.

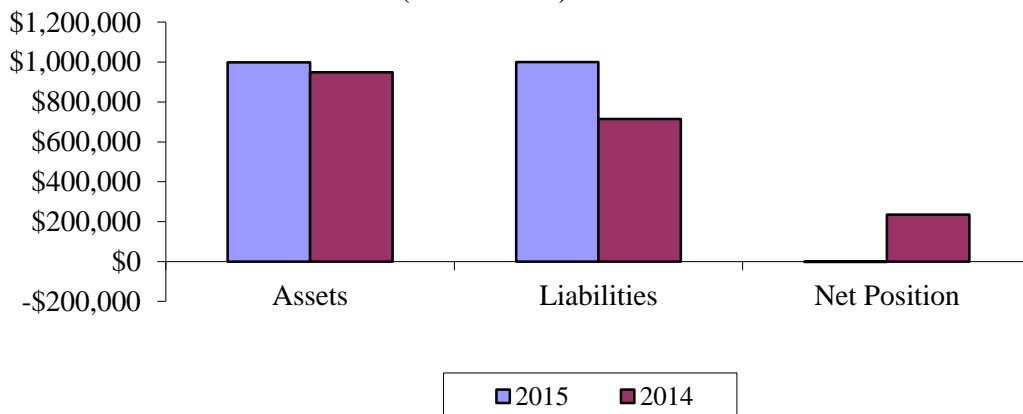
Current liabilities increased \$4.7 million. Approximately \$2.4 million of this increase can be attributed to an increase in unearned revenue. Unearned revenue consists primarily of grant funds received but not yet expended as well as summer 2015 and fall 2015 tuition received, net of related waivers.

Noncurrent liabilities increased \$272.4 million. This increase is due primarily to the recognition of a \$252.7 million net pension liability related to the implementation of GASB 68 as well as a long term debt increase of \$23.6 million due primarily to the 2015 A and 2015 B bond issuances offset by a \$4.0 million decrease in unearned revenue.

Total net position decreased by \$235.8 million at June 30, 2015 compared to June 30, 2014. The decrease is primarily the result of a \$249.9 million unrestricted net position decrease related to the implementation of GASB 68, which was offset by an increase of \$14.1 million from current year operations.

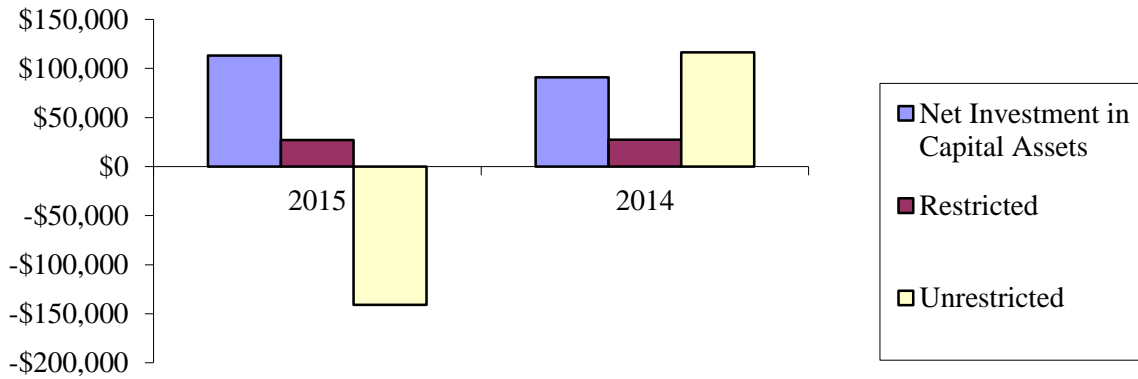
Summary of Statement of Net Position

As of June 30
(In thousands)



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June 30, 2015

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.

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June 30, 2015

The Statements of Revenues, Expenses, and Changes in Net Position present 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, 2015 and 2014 follows:

	<u>2015</u>	<u>2014*</u>
	(In thousands)	
Operating revenues:		
Net student revenues	\$ 199,275	172,521
Grants	51,529	46,811
Professional services and contracts	59,288	60,176
Other	8,658	12,205
Total operating revenues	<u>318,750</u>	<u>291,713</u>
Operating expenses	<u>452,236</u>	<u>427,614</u>
Operating loss	<u>(133,486)</u>	<u>(135,901)</u>
Nonoperating revenues (expenses):		
State appropriations	146,436	158,062
Gifts	8,111	8,526
Investment income	277	631
Interest on capital asset related debt	(35,838)	(36,175)
Other nonoperating revenues (expenses), net	(364)	(1,856)
Net nonoperating revenues (expenses)	<u>118,622</u>	<u>129,188</u>
Loss before other revenues	<u>(14,864)</u>	<u>(6,713)</u>
Capital grants	<u>15,753</u>	<u>7,966</u>
Increase in net position	<u>889</u>	<u>1,253</u>
Net position – beginning of year	234,861	233,608
Cumulative effect of change in accounting policy	(236,694)	—
Net (deficit) position – beginning of year, as restated	<u>(1,833)</u>	<u>233,608</u>
Net (deficit) position – end of year	<u>\$ (944)</u>	<u>234,861</u>

* Amounts were not restated for GASB 68.

Fiscal Year 2015 Compared to 2014

The University's net deficit decreased \$0.9 million in fiscal year 2015. This net amount represents the total revenue available to the University of \$489.3 million compared to total expenses of \$488.4 million.

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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, 2015 and 2014 follows:

	2015		2014	
	Amount	Percentage of total	Amount	Percentage of total
	(Amounts in thousands)			
Operating revenues:				
Net student revenues	\$ 199,275	62.5%	\$ 172,521	59.1%
Grants	51,529	16.2	46,811	16.1
Professional services and contracts	59,288	18.6	60,176	20.6
Other	8,658	2.7	12,205	4.2
Total operating revenues	\$ 318,750	100.0%	\$ 291,713	100.0%

Operating Revenues

Fiscal Year 2015 Compared to 2014

Operating revenues for fiscal year ended June 30, 2015 increased \$27.0 million over fiscal year 2014. The majority of this increase is due to increases in net student revenues of \$26.8 million as well as a \$4.7 million increase in grants, offset by decreases of \$0.9 million in professional services and contracts and \$3.6 million decrease in other revenues. The increase in net student revenues is due to increases in enrollment and tuition and fee rates.

Nonoperating Revenues (Net)

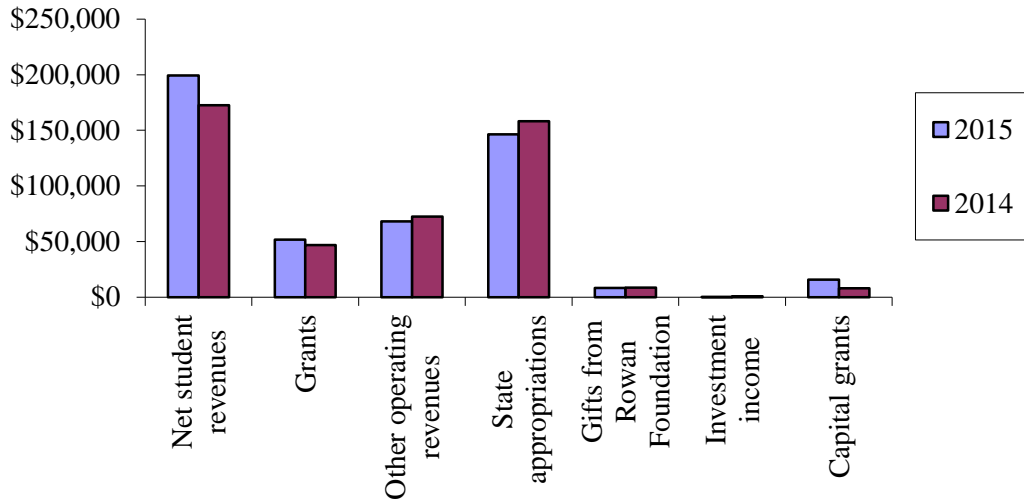
Fiscal Year 2015 Compared to 2014

Nonoperating revenues (net) for the years ended June 30, 2015 and 2014 totaled \$118.6 million and \$129.2 million, respectively, which is a \$10.6 million decrease. The primary sources of nonoperating revenues were State of New Jersey appropriations, which decreased \$11.7 million as the University recorded \$146.4 million and \$158.1 million for fiscal year 2015 and 2014, respectively, as well as gifts from the Rowan University Foundation, which decreased \$0.4 million as the University recorded \$8.1 million and \$8.5 million for fiscal year 2015 and 2014, respectively. 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 decreased \$0.4 million from \$36.2 million at June 30, 2014 to \$35.8 million at June 30, 2015. Other nonoperating revenues (expenses), net were \$(0.4) million and \$(1.9) million, respectively for fiscal years 2015 and 2014.

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Capital grants increased in fiscal year 2015 by \$7.8 million primarily due to the recognition of revenue related to the expenditures incurred through the University's capital grants awarded through the New Jersey Higher Education Capital Financing 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, 2015 and 2014, the University incurred operating expenses totaling \$452.2 million and \$427.6 million, respectively. The increase of \$24.6 million in operating expenses for fiscal year 2015 versus 2014 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 and an additional \$13.6 million of pension expense related to the increase in the net pension liability.

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A summary of operating expenses for the years ended June 30, 2015 and 2014 follows:

	2015		2014	
	Amount	Percentage of total	Amount	Percentage of total
	(Amounts in thousands)			
Instruction	\$ 145,019	32.1%	\$ 137,586	32.2%
Research	6,940	1.5	7,772	1.8
Public service	8,714	1.9	8,610	2.0
Academic support and student services	61,460	13.6	56,840	13.3
Institutional support	72,574	16.0	61,064	14.3
Operation and maintenance of plant	31,041	6.9	29,413	6.9
Student aid	2,131	0.5	1,840	0.4
Professional services and contracts	57,612	12.7	63,194	14.8
Auxiliary enterprises	32,132	7.1	27,210	6.4
Depreciation and amortization	34,613	7.7	34,085	7.9
Total operating expenses	\$ 452,236	100.0%	\$ 427,614	100.0%

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, 2015 and 2014, the University had \$113.2 million and \$91.1 million, respectively in net investment in capital assets. Outstanding long-term debt as of June 30, 2015 is \$639.5 million, compared to \$614.2 million as of June 30, 2014.

Significant transactions related to capital assets and bonded debt that occurred during fiscal year 2015 were as follows:

In April 2015, the Gloucester County Improvement Authority issued Series 2015 A and 2015 B Bonds. The 2015 A revenue bonds totaled \$34,745,000 with coupon rates ranging from 3.25% to 5.00% maturing through 2036. The 2015 B revenue refunding bonds totaled \$69,555,000 with coupon rates ranging from 1.5% to 5.00% maturing through 2031. The proceeds from the 2015 A bond issuance are being used, together with other funds available to the University, to pay for the costs of various defined capital projects, fund capitalized interest and pay the costs of issuance. The proceeds from the 2015 B bond issuance are being used, together with other funds available to the University, to currently refund and redeem a portion of the University's outstanding 2005 D bonds, advance refund and redeem a portion of the University's outstanding 2006 G bonds and pay the costs of issuance.

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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 remained unchanged from fiscal year 2014 to fiscal year 2015, 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 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.

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Statement of Net Position
June 30, 2015

Assets and Deferred Outflows of Resources	Rowan University	Rowan University Foundation	South Jersey Technology Park at Rowan University, Inc.	Total
Current assets:				
Cash and cash equivalents (notes 2 and 13)	\$ 40,428,652	7,170,113	1,200,103	48,798,868
Restricted cash and cash equivalents (notes 2 and 13)	4,899,722	2,359,501	—	7,259,223
Receivables:				
Students, less allowance of \$1,879,000	1,832,896	—	—	1,832,896
Contributions, net	—	1,905	—	1,905
Restricted contributions, net	—	1,114,664	—	1,114,664
Grants	29,168,446	—	—	29,168,446
State of New Jersey	3,551,992	—	—	3,551,992
Professional services and contracts receivable	9,105,248	—	—	9,105,248
Due from Rowan Foundation	963,234	(963,234)	—	—
Interest and other	2,623,738	—	176,639	2,800,377
Total receivables	47,245,554	153,335	176,639	47,575,528
Restricted deposits held by trustees (note 3)	29,070,746	—	—	29,070,746
Investments, at fair value (notes 2 and 13)	48,549,830	—	—	48,549,830
Other current assets	1,906,367	—	—	1,906,367
Total current assets	172,100,871	9,682,949	1,376,742	183,160,562
Noncurrent assets:				
Restricted deposits held by trustees (note 3)	63,502,105	—	—	63,502,105
Investments, at fair value (notes 2 and 13)	42,016,127	46,968,851	—	88,984,978
Restricted investments, at fair value (note 13)	—	15,644,609	—	15,644,609
Restricted nonexpendable investments, at fair value (note 13)	—	116,772,100	—	116,772,100
Loans receivable	4,311,622	—	—	4,311,622
Contributions receivable, net	—	7,092	—	7,092
Restricted contributions receivable, net	—	1,337,394	—	1,337,394
Investment in Rowan Innovation Venture Fund	—	13,613	—	13,613
Capital assets, net (note 4)	686,070,119	—	10,866,719	696,936,838
Total noncurrent assets	795,899,973	180,743,659	10,866,719	987,510,351
Total assets	968,000,844	190,426,608	12,243,461	1,170,670,913
Deferred outflows of resources:				
Pensions related (note 6)	10,350,303	—	—	10,350,303
Loss on bond refinancing	20,214,599	—	—	20,214,599
Total deferred outflows of resources	30,564,902	—	—	30,564,902
Total assets and deferred outflows of resources	\$ 998,565,746	190,426,608	12,243,461	1,201,235,815
Liabilities and Deferred Inflows of Resources				
Current liabilities:				
Accounts payable and accrued expenses (note 7)	\$ 49,263,940	85,488	47,773	49,397,201
Unearned revenue	26,298,244	531,069	—	26,829,313
Annuities payable – current portion	—	17,450	—	17,450
Long-term debt – current portion (notes 8 and 9)	17,712,884	—	184,184	17,897,068
Total current liabilities	93,275,068	634,007	231,957	94,141,032
Noncurrent liabilities (note 9):				
Student deposits	620,045	—	—	620,045
Compensated absences – noncurrent portion (notes 9 and 11)	3,065,080	—	—	3,065,080
Unearned revenue	16,752,657	—	—	16,752,657
Other liabilities	1,974,848	—	—	1,974,848
Deposits held in custody for others	1,503,133	1,463,683	—	2,966,816
Annuities payable – noncurrent portion	—	122,015	—	122,015
Net pension liabilities	252,667,144	—	—	252,667,144
Long-term debt – noncurrent portion (notes 8 and 9)	621,824,690	—	5,144,999	626,969,689
Total noncurrent liabilities	898,407,597	1,585,698	5,144,999	905,138,294
Total liabilities	991,682,665	2,219,705	5,376,956	999,279,326
Deferred inflows of resources:				
Pensions related (note 6)	7,587,054	—	—	7,587,054
Gain on bond refinancing	240,063	—	—	240,063
Total deferred inflows of resources	7,827,117	—	—	7,827,117
Total liabilities and deferred inflows of resources	\$ 999,509,782	2,219,705	5,376,956	1,007,106,443
Net Position				
Net investment in capital assets	\$ 113,210,126	—	5,537,536	118,747,662
Restricted:				
Nonexpendable (note 13)	—	116,772,100	—	116,772,100
Expendable:				
Debt service and reserve	22,001,730	—	—	22,001,730
Inductoherm scholarships	—	102,656	—	102,656
Other scholarships	—	8,750,207	—	8,750,207
College of Business	—	—	—	—
Other	4,899,722	10,932,771	—	15,832,493
Unrestricted (note 11)	(141,055,614)	51,649,169	1,328,969	(88,077,476)
Total net (deficit) position	\$ (944,036)	188,206,903	6,866,505	194,129,372

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, 2015

	<u>Rowan University</u>	<u>Rowan University Foundation</u>	<u>South Jersey Technology Park at Rowan University, Inc.</u>	<u>Total</u>
Operating revenues:				
Net student revenues:				
Tuition and fees	\$ 196,847,172	—	—	196,847,172
Auxiliary enterprises	49,779,719	—	—	49,779,719
Less scholarship allowances	(47,352,154)	—	—	(47,352,154)
Net student revenues	199,274,737	—	—	199,274,737
Grants	51,529,073	—	—	51,529,073
Self-funded programs	4,524,294	—	—	4,524,294
Fundraising events	—	93,114	—	93,114
Contributions	—	3,915,523	—	3,915,523
Net professional services and contracts (note 10)	59,287,760	—	—	59,287,760
Rental income (note 14)	—	—	1,031,414	1,031,414
Other operating revenues	4,133,636	—	—	4,133,636
Total operating revenues	318,749,500	4,008,637	1,031,414	323,789,551
Operating expenses:				
Instruction	145,018,633	—	—	145,018,633
Research	6,940,053	—	—	6,940,053
Public service	8,713,882	—	—	8,713,882
Academic support	34,120,831	—	—	34,120,831
Student services	27,339,208	—	—	27,339,208
Institutional support	72,574,062	382,384	426,357	73,382,803
Operation and maintenance of plant	31,040,887	—	158,231	31,199,118
Student aid	2,131,151	—	—	2,131,151
Professional services and contracts	57,611,650	—	—	57,611,650
Auxiliary enterprises	32,132,162	—	—	32,132,162
Depreciation and amortization	34,612,695	—	367,436	34,980,131
Total operating expenses	452,235,214	382,384	952,024	453,569,622
Operating (loss) income	(133,485,714)	3,626,253	79,390	(129,780,071)
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)	57,643,651	—	—	57,643,651
Student scholarships	—	(2,015,009)	—	(2,015,009)
Gifts from Rowan University Foundation (note 13)	8,110,814	(8,110,814)	—	—
Other grants	—	(48,570)	—	(48,570)
Investment income (net)	276,964	6,304,522	2,977	6,584,463
Investment expenses	—	(211,601)	—	(211,601)
Interest on capital asset related debt	(35,838,481)	—	(189,302)	(36,027,783)
Other nonoperating revenues (expenses), net	(363,632)	(47,859)	—	(411,491)
Net nonoperating revenues (expenses)	118,621,316	(4,129,331)	(186,325)	114,305,660
Income (loss) before other revenues	(14,864,398)	(503,078)	(106,935)	(15,474,411)
Capital grants	15,753,360	—	—	15,753,360
Contributions redesignated by donor	—	(4,153,205)	—	(4,153,205)
Additions to permanent endowments	—	3,555,016	—	3,555,016
Increase (decrease) in net position	888,962	(1,101,267)	(106,935)	(319,240)
Net (deficit) position as of beginning of year, as restated	(1,832,998)	189,308,170	6,973,440	194,448,612
Net (deficit) position as of end of year	\$ (944,036)	188,206,903	6,866,505	194,129,372

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, 2015

	Amount
Cash flows from operating activities:	
Student revenues	\$ 201,753,900
Government and private grants	47,835,080
Professional services and contract	61,321,651
Payments to suppliers	(116,113,621)
Payments for employee salaries and benefits	(235,225,578)
Self-funded programs and other receipts	8,647,653
Net cash used by operating activities	(31,780,915)
Cash flows from noncapital financing activities:	
State of New Jersey appropriations	88,792,000
Gifts	7,136,880
Net cash provided by noncapital financing activities	95,928,880
Cash flows from capital and related financing activities:	
Proceeds from bond refunding	78,489,846
Proceeds from bond issuance	38,253,443
Drawdown of restricted deposits held by trustees	5,052,859
Capital grants	11,206,497
Deposit to acquisition fund	(34,381,784)
Deposit to capitalized interest fund	(3,463,125)
Costs of issuance	(1,251,333)
Purchases of capital assets	(44,773,968)
Bond defeasance	(77,647,047)
Principal paid on capital debt	(15,944,036)
Interest paid on capital debt	(36,926,896)
Net cash used by capital and related financing activities	(81,385,544)
Cash flows from investing activities:	
Purchase of investments	(118,132,121)
Sale of investments	27,481,816
Interest on investments	484,334
Net cash provided by investing activities	(90,165,971)
Net increase in cash and cash equivalents	(107,403,550)
Cash and cash equivalents as of beginning of the year	152,731,924
Cash and cash equivalents as of end of the year	\$ 45,328,374
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (133,485,714)
Adjustments to reconcile operating loss to net cash used by operating activities:	
State paid fringe benefits	57,643,651
Depreciation and amortization expense	34,612,695
Changes in assets and liabilities:	
Receivables	(7,549,557)
Other current assets	(467,466)
Accounts payable and accrued expenses	1,316,502
Unearned revenue	2,406,482
Student deposits	66,444
Other liabilities	200,607
Deposits held in custody for others	266,154
Net pension liability, net of deferred amounts	13,209,287
Net cash used by operating activities	\$ (31,780,915)
Noncash transaction:	
Noncash gifts	\$ 10,000
Unrealized loss on investments	(782,751)
Construction fund direct vendor payments	301,757

See accompanying notes to financial statements.

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

Notes to Basic Financial Statements

June 30, 2015

(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 with a high degree of autonomy. However, the University is considered a component unit of the State 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" (the 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 (UMDNJ)) 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 Governmental Accounting Standards Board (GASB) pronouncements.

GASB Statement No. 35, Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities – an amendment of GASB Statement No. 34 (GASB 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, 2015

- *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, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* (GASB 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 one year or less.

The University maintains portions of its cash with three custodians, two banks and the State of New Jersey Cash Management Fund (NJCMF). 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, 2015

Deposits Held in Custody for Others

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

Net Pension Liability and Related Pension Amounts

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System (PERS), the Police and Firemen's Retirement System (PFRS) and the Teachers' Pension and Annuity Fund (TPAF), and additions to/deductions from PERS's, PFRS's, and TPAF's fiduciary net position have been determined on the same basis as they are reported by PERS, PFRS and TPAF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. For additional information about PERS, PFRS and TPAF, please refer to the plan's Comprehensive Annual Financial Report (CAFR), which can be found at www.state.nj.us/treasury/pensions/annrpts.shtml.

Financial Dependency

One of the University's largest sources of revenue is appropriations from the State, 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.

ROWAN UNIVERSITY
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Notes to Basic Financial Statements

June 30, 2015

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.

New Accounting Standards Adopted

The University adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* (GASB 68). GASB 68 addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense related to pensions. Note disclosure and required supplementary information requirements about pensions also are addressed. For defined benefit pensions, this statement also identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Certain University employees are provided with defined benefit pensions through the Public Employees' Retirement System (PERS), Police and Firemen's Retirement System (PFRS), and Teachers' Pension and Annuity Fund (TPAF), cost-sharing, multiple-employer defined benefit pension plans administered by the State of New Jersey, Division of Pensions and Benefits. In accordance with the provisions of GASB 68, the University has reported its proportionate share of PERS and PFRS net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense and the employer pension expense and related revenue for TPAF which met the criteria for a special funding situation. As a result of the implementation of GASB 68, beginning unrestricted net position as of July 1, 2014, was decreased by \$236.7 million.

The University also adopted GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68* (GASB 71). GASB 71 amends paragraph 137 of GASB 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The University recognized contributions, made by the State on behalf of the University, to the plan subsequent to the measurement date of the beginning net pension liability of \$2.3 million as a beginning deferred outflow of resources, which partially offset the impact of the recognition of the 2013 net pension liability as recognized in the net position as of July 1, 2014 as restated.

ROWAN UNIVERSITY
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Notes to Basic Financial Statements

June 30, 2015

The provisions of GASB 68 and 71 have been applied to the beginning of the 2015 fiscal year net position. The following is a reconciliation of the total net position as of June 30, 2014 as previously reported and the restated July 1, 2014 net position:

Total net position as previously reported as of June 30, 2014	\$ 234,861,609
Restatement to beginning year of net position	(236,694,607)
Total net position as of July 1, 2014 (restated)	<u>\$ (1,832,998)</u>

(c) Accounting Pronouncements Applicable to the University, Issued but Not Yet Effective

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application* (GASB 72). The statement addresses accounting and financial reporting issues related to fair value measurements of assets and liabilities. GASB 72 identifies various approaches to measuring fair value and levels of inputs based on the objectivity of the data used to measure fair value. GASB 72 will be effective for periods beginning after June 15, 2015. The University is evaluating the impact of this new statement.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* (GASB 73). This Statement establishes requirements for defined benefit pensions and defined contribution pensions that are not within the scope of GASB 68 and amends certain provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans*, and GASB 68. GASB 73 will be effective for periods beginning after June 15, 2016. The University is evaluating the impact of this new statement.

In June 2015, the GASB issued Statement No 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). The statement addresses accounting and financial reporting for other postemployment benefits (OPEB) that are provided to the employees of state and local governmental employers. GASB 75 establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses related to OPEB in the basic financial statements, in addition to requiring more extensive note disclosures and required supplementary information. GASB 75 will be effective for periods beginning after June 15, 2017. The University is evaluating the impact of this new statement.

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.

ROWAN UNIVERSITY
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Notes to Basic Financial Statements

June 30, 2015

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.

(2) Cash, Cash Equivalents, and Investments

(a) Cash and Cash Equivalents

Cash and cash equivalents are carried in the financial statements at fair value and consist of the following at June 30, 2015:

	Amount
Cash	\$ 44,275,166
State of New Jersey Cash Management Fund	613,272
Money market accounts	439,936
Total cash and cash equivalents	\$ 45,328,374

Cash and money market accounts were held at a depository and bank balances amounted to \$47,790,184 as of June 30, 2015. Of these amounts, \$500,000 was FDIC insured, \$145,589 was uninsured and uncollateralized and the excess is collateralized pursuant to New Jersey Statute 52:18-16-1.

The University participates in NJCMF wherein amounts also contributed by other State entities are combined in a large-scale investment program. The University deposits in the NJCMF were \$613,272 as of June 30, 2015. These amounts are collateralized in accordance with Chapter 64 of Title 18A of New Jersey Statutes, but not in the University's name.

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

Notes to Basic Financial Statements

June 30, 2015

(b) Investments

The University's investments are carried in the financial statements at fair value and consist of the following at June 30, 2015:

	Amount
U.S. government treasury securities	\$ 3,140,867
U.S. government agency securities	4,484,551
U.S. corporate bonds	60,020,242
Foreign corporate bonds	14,658,144
Mutual funds – equity	3,635,680
Asset-backed securities	2,310,839
Commercial mortgage-backed securities	1,087,750
Municipal bonds	524,023
Collateralized mortgage obligations	487,878
Mortgages	215,983
Total investments	\$ 90,565,957

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 U.S. government agency obligations, corporate bonds and other investment vehicles (i.e. mutual funds, 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.

The University's long-term investment options include, but are not limited to, the purchase of U.S. Government agency obligations, U.S. government treasury securities, corporate bonds, and other investment vehicles (i.e. mutual funds, asset backed securities, 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 investments 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.

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) and Standard and Poors (S&P). The University's investment policy requires that fixed income securities are rated Baa3/BBB- or higher by at least one rating agency. At June 30, 2015, the University does not have investments in a single issuer of more than 5% of its total investments and therefore does not have a concentration of credit risk.

ROWAN UNIVERSITY
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Notes to Basic Financial Statements

June 30, 2015

As of June 30, 2015, the University had fixed income security investments in foreign corporate bonds in the amount of \$3,002,670 which were rated by Moody's as Aa2. All other fixed income security investments were rated by S&P as follows:

	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>Total</u>
U.S. government treasury securities	\$ 607,433	2,533,434	—	—	3,140,867
U.S. government agency securities	—	4,484,551	—	—	4,484,551
U.S. corporate bonds	—	12,035,607	34,647,120	13,337,515	60,020,242
Foreign corporate bonds	—	5,232,206	5,422,768	1,000,500	11,655,474
Asset-backed securities	1,940,037	120,263	250,539	—	2,310,839
Commercial mortgage-backed securities	623,284	464,466	—	—	1,087,750
Municipal bonds	—	240,768	283,255	—	524,023
Collateralized mortgage obligations	—	487,878	—	—	487,878
Mortgages	—	215,983	—	—	215,983
Total	<u>\$ 3,170,754</u>	<u>25,815,156</u>	<u>40,603,682</u>	<u>14,338,015</u>	<u>83,927,607</u>

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. For the University, the following table summarizes the maturities of the fixed income security investments at June 30, 2015:

<u>Investment type</u>	<u>Investment maturities (in years)</u>				
	<u>Fair value</u>	<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
U.S. government treasury securities	\$ 3,140,867	—	2,533,434	607,433	—
U.S. government agency securities	4,484,551	3,000,060	1,484,491	—	—
U.S. corporate bonds	60,020,242	34,370,890	25,649,352	—	—
Foreign corporate bonds	14,658,144	11,078,300	3,579,844	—	—
Asset-backed securities	2,310,839	—	2,040,439	270,400	—
Commercial mortgage-backed securities	1,087,750	—	233,271	67,249	787,230
Municipal bonds	524,023	100,580	423,443	—	—
Collateralized mortgage obligations	487,878	—	230,295	111,067	146,516
Mortgages	215,983	—	—	155,993	59,990
Total	<u>\$ 86,930,277</u>	<u>48,549,830</u>	<u>36,174,569</u>	<u>1,212,142</u>	<u>993,736</u>

ROWAN UNIVERSITY
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Notes to Basic Financial Statements

June 30, 2015

(3) Restricted Deposits Held by Trustees

Restricted deposits held by trustees include restricted funds held by three Board approved trustees. As of June 30, 2015, restricted deposits held by trustees are carried in the financial statements at fair value and consist of cash and money market investments, which were unrated and mature within 1 year. Restricted deposits held by trustees include funds for construction, debt service reserve, and debt service.

	Amount
Construction funds	\$ 63,502,105
Debt service and debt service reserve funds	29,070,746
	92,572,851
Less current portion	29,070,746
Noncurrent restricted deposits held by trustees	\$ 63,502,105

(4) Capital Assets

The detail of capital assets activity for the year ended June 30, 2015 is as follows:

2015	Beginning balance	Additions/ Transfers	Deletions/ transfers	Ending balance
Nondepreciable assets:				
Land	\$ 49,505,863	939,295	—	50,445,158
Artwork	2,205,000	5,542	—	2,210,542
Construction in progress	43,919,385	48,997,082	(22,847,221)	70,069,246
Total nondepreciable assets	95,630,248	49,941,919	(22,847,221)	122,724,946
Depreciable assets:				
Land improvements	40,959,508	472,681	(710,646)	40,721,543
Buildings	817,689,646	17,508,864	—	835,198,510
Equipment	65,267,269	3,600,103	(190,461)	68,676,911
Total depreciable assets	923,916,423	21,581,648	(901,107)	944,596,964
Less accumulated depreciation:				
Land improvements	17,133,879	1,867,476	(47,955)	18,953,400
Buildings	282,241,096	28,042,909	(103,865)	310,180,140
Equipment	48,145,988	4,162,724	(190,461)	52,118,251
Total accumulated depreciation	347,520,963	34,073,109	(342,281)	381,251,791
Total capital assets, net	\$ 672,025,708	37,450,458	(23,406,047)	686,070,119

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Depreciation expense for the year ending June 30, 2015 is \$34,073,109. The estimated cost to complete capital projects included in construction in progress as of June 30, 2015 approximates \$188,200,000. Anticipated financing for these projects is approximately \$102,000,000 in grant funds, \$68,100,000 in bond funding and \$18,100,000 in University funds.

(5) State of New Jersey Fringe Benefits

The State, through separate appropriations, pays certain fringe benefits, principally health benefits and FICA taxes, on behalf of University employees and retirees. The costs of these benefits, \$57,643,651 for fiscal year 2015, were paid directly by the State on behalf of the University and are included in the accompanying financial statements as State of New Jersey fringe benefits revenue and as expenses.

(6) Retirement Plans

The University participates in several retirement plans, administered by the State of New Jersey, Division of Pensions and Benefits (the Division), covering its employees – the Public Employees’ Retirement System, the Police and Firemen’s Retirement System, the Teachers’ Pension and Annuity Fund, the Alternate Benefit Program (ABP), and the Defined Contribution Retirement Program (DCRP). PERS, PFRS and TPAF are cost-sharing, multiple-employer defined benefits retirement plans, while ABP and DCRP are defined contribution retirement plans. Generally all employees, except certain part-time employees, participate in one of these plans. 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 (see note 5).

A publicly available CAFR of the State of New Jersey Division of Pensions and Benefits, which includes financial statements, required supplementary information, and detailed information about the PERS’s, PFRS’s, and TPAF’s fiduciary net position, can be obtained at www.state.nj.us/treasury/pensions/annrpts.shtml or by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295.

(a) Defined Benefit Pension Plans

General Information

Public Employees’ Retirement System

Plan description – PERS was established under the provisions of N.J.S.A. 43:15A to provide retirement, death and disability benefits to substantially all full-time employees of the State or any county, municipality, school district or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state pension fund or local jurisdiction’s pension fund.

Benefits provided – The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

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The following represents the membership tiers for PERS:

Tier	Definition
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credit and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Contributions – The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Members contribute at a uniform rate. The member contribution rate was 6.92% of annual compensation for fiscal year 2015. The State contributes the employer’s share on behalf of the University. The State’s pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. The University’s contributions to PERS (amounts paid by the State on behalf of the University) for the fiscal year ended June 30, 2015 were \$1,685,482.

Police and Firemen’s Retirement System

Plan description – PFRS was established under the provisions of N.J.S.A 43:16A to provide retirement, death and disability benefits to substantially all full-time county and municipal police or firemen and state firemen or officer employees with police powers appointed after June 30, 1944.

Benefits provided – The vesting and benefit provisions are set by N.J.S.A. 43:16A. PFRS provides retirement as well as death and disability benefits. All benefits vest after ten years of service, except disability benefits which vest after four years of service.

The following represents the membership tiers for PFRS:

Tier	Definition
1	Members who were enrolled prior to May 22, 2010
2	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
3	Members who were eligible to enroll on or after June 28, 2011

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Service retirement benefits are available at age 55 and are generally determined to be 2% of final compensation for each year of creditable service, as defined, up to 30 years plus 1% for each year of service in excess of 30 years. Members may seek special retirement after achieving 25 years of creditable service, in which benefits would equal 65% (tiers 1 and 2 members) and 60% (tier 3 members) of final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years. Members may elect deferred retirement benefits after achieving ten years of service, in which case benefits would begin at age 55 equal to 2% of final compensation for each year of service.

Contributions – The contribution policy is set by N.J.S.A. 43:16A and requires contributions by active members and contributing employers. The State contributes the employer’s share on behalf of the University. The State’s contribution amount is based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 8.5% to 10.0% in October 2011. The University’s contributions to PFRS (amounts paid by the State on behalf of the University) for the fiscal year ended June 30, 2015 was \$529,301.

Teachers’ Pension and Annuity Fund

Plan description – TPAF was established under the provisions of N.J.S.A. 18A:66 to provide retirement, death and disability benefits to substantially all teachers or members of the professional staff certified by the State Board of Examiners and employees of the State of New Jersey, Department of Education, who have titles that are unclassified, professional, and certified. Certain faculty members of the University participate in the TPAF. Under the provisions of N.J.S.A. 18A:66-33, the State is legally obligated to make contributions on behalf of all participating employers to the plan, therefore TPAF meets the definition of a special funding situation as defined in GASB 68.

Benefits provided – The vesting and benefit provisions are set by N.J.S.A. 18A:66. TPAF provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of TPAF. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members’ beneficiaries are entitled to full interest credited to the members’ accounts.

The following represents the membership tiers for TPAF:

Tier	Definition
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

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Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credit, and tier 5 before age 65 with 30 or more years of service credit. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the retirement age for his/her respective tier. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Contributions – The contribution policy is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing employers. The full normal employee contribution rate became 6.92% of annual compensations as of July 1, 2014. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The University's respective net pension liability, deferred outflows of resources, deferred inflows of resources and pension expense related to PERS and PFRS are calculated by the Division. At June 30, 2015, the University reported a liability of \$238,238,870 and \$14,428,274 for PERS and PFRS, respectively, for its proportionate share of the respective PERS and PFRS net pension liabilities. As the State is legally obligated to fund TPAF on behalf of the University, the University's proportionate share of net pension liability of \$6,406,231 is recognized by the State. The total pension liabilities used to calculate the net pension liabilities were determined by actuarial valuations as of July 1, 2013 and rolled forward to the measurement date of June 30, 2014. The June 30, 2014 PERS and PFRS net pension liabilities as calculated by the Division's actuary were recorded in the statement of net position as of June 30, 2015. For PERS and PFRS, the University's proportionate share of the respective net pension liabilities for the fiscal year were based on the actual contributions made by the State on behalf of the University relative to the total contributions of participating employers of the State Group for each plan for fiscal year 2014 and 2013. For TPAF, the University's proportionate share of the respective net pension liability for the fiscal year were based on the actual contributions made by the State on behalf of the University relative to the total contributions made by the State for fiscal year

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2014 and 2013. The University's allocation percentages and pension expense for each plan are as follows:

	<u>PERS</u>	<u>PFRS</u>	<u>TPAF</u>
2014 Allocation percentage – State Group/Nonemployer Group ¹	1.184%	0.406%	0.012%
2014 Allocation percentage – Total Plan ²	0.613%	0.083%	0.012%
2013 Allocation percentage – State Group/Nonemployer Group ¹	1.170%	0.394%	0.009%
2013 Allocation percentage – Total Plan ²	0.588%	0.074%	0.009%
Pension expense for the year ended June 30, 2014	\$ 14,228,946	1,195,124	\$ 344,715

1 – Allocation percentage for PERS and PFRS based on total State Group. Allocation percentage for TPAF based on total Nonemployer Group.

2 – Allocation percentage calculated as the University's respective net pension liability as a percentage of the total plan's net pension liability.

As TPAF is a special funding situation, the University recognized revenue related to the support provided by the State of \$344,715 in the State of New Jersey fringe benefits amount on the statement of revenue, expenses and changes in net position.

The University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources at June 30, 2015:

	<u>PERS</u>	<u>PFRS</u>	<u>Total</u>
Deferred outflow of resources:			
Changes of assumptions	\$ 5,254,021	293,331	5,547,352
Changes in proportionate share Contributions subsequent to the measurement date	2,258,476	329,692	2,588,168
	<u>1,685,482</u>	<u>529,301</u>	<u>2,214,783</u>
Total	<u>\$ 9,197,979</u>	<u>1,152,324</u>	<u>10,350,303</u>
Deferred inflow of resources:			
Net differences between projected and actual investment earnings on pension plan investments	\$ 7,230,557	356,497	7,587,054
Total	<u>\$ 7,230,557</u>	<u>356,497</u>	<u>7,587,054</u>

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As the State is legally obligated to fund TPAF on behalf of the University, the University's proportionate share of deferred outflows of resources and deferred inflows of resources are recognized by the State.

\$2,214,783 reported as deferred outflows of resources related to pensions resulting from contributions made on behalf of the University by the State subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>PERS</u>	<u>PFRS</u>	<u>Total</u>
Years ending:			
2016	\$ (426,665)	31,383	(395,282)
2017	(426,665)	31,383	(395,282)
2018	(426,665)	31,383	(395,282)
2019	(426,665)	31,383	(395,282)
2020	1,380,974	120,507	1,501,481
Thereafter	607,626	20,487	628,113
	<u>\$ 281,940</u>	<u>266,526</u>	<u>548,466</u>

Actuarial Assumptions

The total pension liabilities measure as of June 30, 2014 based on the July 1, 2013 actuarial valuations for PERS, PFRS and TPAF were determined using the following actuarial assumptions:

	<u>PERS</u>	<u>PFRS</u>	<u>TRAF</u>
Inflation rate	3.01%	3.01%	2.5%
Salary increases:			
2012–2021	2.15–4.40%	3.95–8.62%	Varies based on experience
Thereafter	3.15–5.40%	4.95–9.62%	Varies based on experience
	based on age	based on age	experience
Investment rate of return	7.90%	7.90%	7.90%

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females for PERS) with adjustments for mortality improvements from the base year of 2012 for PERS and 2011 for PFRS based on Projection Scale AA. Mortality rates for TPAF were based on the RP-2000 Health Annuitant Mortality Table for Males and Females, as appropriate, with adjustments for mortality improvements based on Scale AA. Pre-retirement mortality improvements for active members are projected using Scale AA from the base year of 2000 until the valuation date plus 15 years to account for future mortality improvement. Post-retirement mortality improvements for nondisabled annuitants are projected using Scale AA from the base year of 2000 for males and 2003 for females until the valuation date plus 7 years to account for future mortality improvement.

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The actuarial assumptions used in the July 1, 2013 valuations were based on the results of an actuarial experience studies for the periods July 1, 2008 to June 30, 2011 for PERS, July 1, 2007 to June 30, 2010 for PFRS, and July 1, 2009 to June 30, 2012 for TPAF.

Long Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included PERS's, PFRS's and TPAF's target asset allocations as of June 30, 2014 are summarized in the following table:

Asset class	PERS and PFRS		TPAF	
	Target allocation	Long-term expected real rate of return	Target allocation	Long-term expected real rate of return
Cash	6.00%	0.80%	6.00%	0.50%
Core fixed income	N/A	N/A	—	2.19
Core bonds	1.00	2.49	1.00	1.38
Short-term bonds	N/A	N/A	—	1.00
Intermediate-term bonds	11.20	2.26	11.20	2.60
Long-term bonds	N/A	N/A	—	3.23
Mortgages	2.50	2.17	2.50	2.84
High yield bonds	5.50	4.82	5.50	4.15
Non-U.S. fixed income	N/A	N/A	—	1.41
Inflation-indexed bonds	2.50	3.51	2.50	1.30
Broad US equities	25.90	8.22	25.90	5.88
Large cap U.S. equities	N/A	N/A	—	5.62
Mid cap U.S. equities	N/A	N/A	—	6.39
Small cap U.S. equities	N/A	N/A	—	7.39
Developed foreign equities	12.70	8.12	12.70	6.05
Emerging market equities	6.50	9.91	6.50	8.90
Private equity	8.25	13.02	8.25	9.15
Hedge funds/absolute return	12.25	4.92	12.25	3.85
Real estate (property)	3.20	5.80	3.20	4.43
Real estate (REITS)	N/A	N/A	—	5.58
Commodities	2.50	5.35	2.50	3.60
Long credit bonds	N/A	N/A	—	3.74

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Discount Rate

The discount rates used to measure the total pension liabilities were 5.39%, 6.32% and 4.68% for PERS, PFRS, and TPAF, respectively, as of June 30, 2014. The rates used to measure the total pension liabilities were 5.55%, 6.45% and 4.95% for PERS, PFRS, and TPAF, respectively, as of June 30, 2013. These single blended discount rates were based on the long-term expected rate of return on pension plan investments of 7.90% and a municipal bond rate of 4.29% and 4.63% as of June 30, 2014 and 2013, respectively, based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the plans' fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033 for PERS, 2045 for PFRS and 2027 for TPAF. Therefore, the long-term expected rate of return on plan investments was applied to the projected benefit payments through 2033 for PERS, 2045 for PFRS and 2027 for TPAF, and the municipal bond rate was applied to the projected benefit payments after those dates in determining the total pension liabilities.

Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate

The following presents the collective net pension liability of the Rowan University as of June 30, 2014, respectively, calculated using the discount rates as disclosed above as well as the collective net pension liability if it was calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

<u>Plan (Rates)</u>	<u>At 1% decrease</u>	<u>At current discount rate</u>	<u>At 1% increase</u>
PERS(4.39%, 5.39%, 6.39%)	281,387,817	238,238,870	202,051,851
PERS(5.32%, 6.32%, 7.32%)	17,443,222	14,428,274	11,945,620

(b) Defined Contribution Retirement Plans

Alternative Benefit Program

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 is established by the State of New Jersey Retirement and Social Security Law. Contributions can be invested with up to six investment carriers available under the plan. Additional voluntary contributions may be made on a tax-deferred basis, subject to limits within the Internal Revenue Code. The University assumes no liability for ABP members other than payment of contributions.

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

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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 year ended June 30, 2015, ABP investment carriers received employer and employee contributions as follows:

		<u>Amount</u>
Employer contributions	\$	9,134,633
Employee contributions		12,559,803
Basis for contributions:		
Participating employee salaries	\$	114,182,911

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

Effective July 1, 2010, Governor Christie signed Chapter 31, P.L. 2010 into law, which only allowed employer contributions to ABP for salaries up to \$141,000.

Defined Contribution Retirement Plan

DCRP was established under the provisions of Chapter 92, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008 and Chapter 1, P.L. 2010. 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 is established by the State of New Jersey Retirement and Social Security Law.

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.

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Participating University employees contribute 5.5% of their eligible wages. Employer contributions are 3%. During the year ended June 30, 2015, Prudential received employer and employee contributions as follows:

		<u>Amount</u>
Employer contributions	\$	20,383
Employee contributions		37,483
Basis for contributions:		
Participating employee salaries	\$	680,677

(c) ***Post-Employment Benefits Other than Pensions***

In addition to providing pension benefits, the State provides certain health care and life insurance benefits for the University's retired employees. Full health coverage is provided to eligible employees retiring with 25 years of service credited on or before June 30, 1997 in one of the State of New Jersey's mandatory pension plans. Employees retiring with 25 years of service credit after June 30, 1997 may share in the cost of health care provided under the State Plan according to the terms specified in the appropriate bargaining unit agreement in effect at the time the employee reaches 25 years of credited service. The rules governing the contribution rate are the same as that for active employees. Since the costs of these programs are the responsibility of the State and the retired employees, the amounts are not available to the University and no expenses or liabilities for benefits are reflected in the University's financial statements.

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

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

		<u>Amount</u>
Vendors and other	\$	17,081,901
Salaries and benefits		13,469,882
Due to State of New Jersey		3,029,054
Compensated absences – current portion		6,568,288
Accrued interest payable		<u>9,114,815</u>
Total accounts payable and accrued expenses	\$	<u><u>49,263,940</u></u>

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(8) Long-term Debt

Bonds Payable

Capital assets are financed through revenue bonds of the New Jersey Educational Facilities Authority (NJEFA), the Camden County Improvement Authority (CCIA) and the Gloucester County Improvement Authority (GCIA). The following obligations were outstanding as of June 30, 2015:

	<u>Interest rate</u>	<u>Amount</u>
NJEFA Series 2005 D Revenue Refunding Bonds, due serially to 2030	3.250%–5.250%	\$ 4,140,000
NJEFA Series 2006 G Revenue Bonds, due serially to 2031	4.000%–4.500%	23,500,000
NJEFA Series 2007 B Revenue Refunding Bonds, due serially to 2034	3.000%–5.500%	113,845,000
NJEFA Series 2008 B Revenue Refunding Bonds, due serially to 2027	4.000%–5.000%	35,095,000
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	1.500%–5.000%	6,130,000
NJEFA Series 2011 C Revenue Refunding Bonds, due serially to 2025	3.000%–5.000%	24,355,000
CCIA Series 2013 A Rowan SOM Revenue Refunding Bonds, due serially to 2032	3.000%–5.000%	26,195,000
CCIA Series 2013 B Rowan SOM Revenue Refunding Bonds due serially to 2032	0.890%–5.160%	26,690,000
GCIA Series 2015 A Revenue Bonds, due serially to 2036	3.250%–5.000%	34,745,000
GCIA Series 2015 B Revenue Refunding Bonds, due serially to 2031	1.500%–5.000%	<u>69,555,000</u>
		458,135,000
Plus:		
Bond premium		<u>14,949,319</u>
Total bonds payable		<u>\$ 473,084,319</u>

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Future annual debt service requirements approximate the following:

	<u>Principal amount</u>	<u>Interest amount</u>	<u>Total amount</u>
Year ending June 30:			
2016	\$ 17,830,000	22,085,487	39,915,487
2017	18,455,000	21,224,507	39,679,507
2018	19,155,000	20,380,070	39,535,070
2019	19,950,000	19,430,450	39,380,450
2020	20,835,000	18,426,906	39,261,906
2021–2025	118,140,000	75,527,389	193,667,389
2026–2030	131,995,000	43,640,193	175,635,193
2031–2035	94,310,000	14,621,328	108,931,328
2036–2037	17,465,000	173,813	17,638,813
	<u>\$ 458,135,000</u>	<u>235,510,143</u>	<u>693,645,143</u>

In April 2015, the Gloucester County Improvement Authority issued Series 2015 A and 2015 B Bonds. The 2015 A revenue bonds totaled \$34,745,000 with coupon rates ranging from 3.250% to 5.000% maturing through 2036. The 2015 B revenue refunding bonds totaled \$69,555,000 with coupon rates ranging from 1.500% to 5.000% maturing through 2031. The proceeds from the 2015 A bond issuance are being used, together with other funds available to the University, to pay for the costs of various defined capital projects, fund capitalized interest and pay the costs of issuance. The proceeds from the 2015 B bond issuance are being used, together with other funds available to the University, to refund for debt service savings \$39,640,000 of the outstanding callable Series 2005 D Bonds and \$34,855,000 of the outstanding callable Series 2006 G Bonds. The refunding resulted in gross debt service cash-flow savings of \$10,544,000. On a net present value basis, the economic gain was \$8,481,000 or 11.385% of the par amount of refunded bonds.

Funds are on deposit with escrow agents to provide for the payment of principal, interest, and call premiums, when due, on Series 2004 C, Series 2005 D (refunded portion) and Series 2006 G (refunded portion) Bonds. Accordingly, these bonds are legally outstanding obligations of the University as of June 30, 2015, however are defeased for financial reporting, therefore, they are not reflected in the accompanying financial statements. The principal amounts of these bonds were \$107,161,738 as of June 30, 2015.

(a) 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, 2015 in the amount of \$69,200,002.

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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, 2015 in the amount of \$11,248,721.

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, 2015 in the amount of \$33,162,054.

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 through 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 constructed 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 years and started on the date when the facility became ready for occupancy. At the completion of the lease term, the University will have the option of extending the lease for an additional four terms of ten 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 years after the expiration of the initial term of the lease. The University has a capital lease payable as of June 30, 2015 in the amount of \$21,438,798.

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 years and

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started on the date when the facility became ready for occupancy (Commencement date). The University will have the option to purchase the leased portion of the property, at the end of the term, for \$1.00 consideration. The University has a capital lease payable as of June 30, 2015 in the amount of \$16,303,988.

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:			
2016	\$ (1,222,587)	14,408,562	13,185,975
2017	(1,070,770)	14,524,589	13,453,819
2018	(899,807)	14,626,248	13,726,441
2019	(611,006)	14,707,956	14,096,950
2020	(359,977)	14,762,768	14,402,791
2021–2025	2,776,094	73,766,996	76,543,090
2026–2030	15,161,213	70,210,238	85,371,451
2031–2035	34,088,148	59,139,888	93,228,036
2036–2040	63,449,097	37,732,477	101,181,574
2041–2044	40,043,158	5,158,710	45,201,868
	<u>\$ 151,353,563</u>	<u>319,038,432</u>	<u>470,391,995</u>

(b) 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. 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, 2015 is \$4,746,660, 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, 2015 was \$122,784.
- (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, 2015, is \$1,832,807.

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- (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. No payments were made during fiscal year 2015. The outstanding balance as of June 30, 2015 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, 2015 is \$150,813.

Principal and interest payments for these obligations are as follows:

	Principal amount	Interest amount	Total amount
Year ending June 30:			
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	1,182,597	464,008	1,646,605
2021–2025	4,748,818	1,508,672	6,257,490
2026–2030	2,423,855	798,027	3,221,882
2031–2035	2,400,758	238,670	2,639,428
	\$ 15,099,692	5,380,742	20,480,434

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(9) Noncurrent Liabilities

Noncurrent liabilities activity for the year ended June 30, 2015 was as follows:

	<u>Beginning balance*</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Current portion</u>
Student deposits	\$ 553,601	66,444	—	620,045	—
Compensated absences	10,242,455	6,247,997	6,857,084	9,633,368	6,568,288
Unearned revenue	44,657,237	22,285,426	23,891,762	43,050,901	26,298,244
Other liabilities	1,774,241	200,607	—	1,974,848	—
Deposits held in custody for others	1,236,979	5,241,497	4,975,343	1,503,133	—
Net pension liability	239,012,177	23,559,590	9,904,623	252,667,144	—
Bonds payable	448,331,416	116,743,289	91,990,386	473,084,319	17,830,000
Other long-term debt	15,890,512	—	790,820	15,099,692	1,105,471
Capital lease obligation	149,981,779	—	(1,371,784)	151,353,563	(1,222,587)
Total noncurrent liabilities	<u>\$ 911,680,397</u>	<u>174,344,850</u>	<u>137,038,234</u>	<u>948,987,013</u>	<u>50,579,416</u>

* Beginning balance for net pension liability was restated for the effect of the implementation of GASB 68.

(10) Professional Services and Contract Revenues

The 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 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	\$ 65,640,622
Contractual and other allowances	(27,145,643)
Provision for bad debts	(3,081,518)
Bad debt recovery	343,487
Total faculty practice	<u>35,756,948</u>
House staff and affiliation revenues:	
House staff billings	20,938,332
Affiliation billings	2,592,480
Total house staff and affiliation	<u>23,530,812</u>
Total professional services and contract revenue	<u>\$ 59,287,760</u>

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Gross charges pertain to the following payors:

	Percentage
Medicare	32%
Medicaid and Medicaid HMO	16
Contracts	19
Other third party payors	30
Uninsured, charity care and self pays	3
	100%

Faculty practice gross accounts receivable pertain to the following payors:

	Percentage
Medicare	20%
Medicaid and Medicaid HMO	16
Contracts	30
Other third party payors	24
Self pays	10
	100%

(11) Commitments and Contingencies

(a) Operating Leases

The University leases certain space and equipment used in general operations. Rental expense was approximately \$1,548,000 during fiscal year 2015. Future minimum annual rental commitments approximate the following:

	Amount
Year ending June 30:	
2016	\$ 1,265,000
2017	1,064,000
2018	864,000
2019	723,000
2020	315,000
2021 and thereafter	522,000
	\$ 4,753,000

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(b) *Compensated Absences*

The University recorded a liability for accumulated vacation time in the amount of approximately \$6,568,000 as of June 30, 2015, which is included in accounts payable and accrued expenses in the 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 \$2,567,000 as of June 30, 2015, 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 \$498,000 as of June 30, 2015 is recorded in compensated absences in the accompanying statement of net position.

(c) *Risk Management*

The University is exposed to various risks of loss. 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 (N.J.S.A. 59:1-1 *et seq.*), the New Jersey Contractual Liability Act (N.J.S.A. 59:13-1 *et seq.*), and the availability of appropriations. The Tort Claims Act also creates a Tort Claims Fund and provides for payment of eligible claims filed against the University or against its employees, whom the State is obligated to indemnify against tort claims which arise out of the performance of their duties. Therefore, the University's liability and employee benefit exposures are self-funded programs maintained and administered by the State (including tort liability, employment liability, medical professional liability, auto liability, trustee's and officer's liability, workers' compensation, unemployment, temporary and long term disability, unemployment liability, life insurance and employee retirement programs). An annual appropriation is provided by the legislature for all statutory self-funded programs.

The University purchases and maintains a commercial property insurance policy through a joint insurance program with the nine State of New Jersey Public Colleges and Universities (the consortium). University buildings, contents, plant operations, boiler & machinery, business interruption, and lost revenue are fully insured on an all risk replacement cost basis to the extent that losses exceed a \$100,000 per occurrence deductible with a per occurrence limit of \$1,400,000,000. A \$500,000 combined per occurrence deductible applies to five University buildings due to flood exposure; the University's per occurrence policy deductible is capped at the \$500,000.

In addition to the property insurance policy maintained through the consortium, the University maintains several policies of insurance to ensure a comprehensive approach to managing the risk of loss from exposures that are or may be ineligible for Tort Claims Protection. The following policies are maintained and these policies also extend coverage to the University's separately incorporated

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501 (c)(3) auxiliary organizations: Crime insurance policy (moneys and securities coverage) in the amount of \$2,000,000 with a per loss deductible of \$25,000; Information Security & Privacy Liability in the amount of \$10,000,000 with a per loss deductible of \$100,000; and Pollution Legal Liability in the amount of \$10,000,000 with a per loss deductible of \$100,000. The University also maintains a Student Professional Liability policy in the amount of \$1,000,000 per occurrence with a \$3,000,000 annual aggregate and a per loss deductible of \$10,000 to cover students participating in professional internships (excludes medical students since they are provided protection through the Tort Claims Act).

The following policies of insurance are maintained for the University's separately incorporated 501 (c)(3) auxiliary organizations (New Jersey Statutes Title 18A Education provides each auxiliary organization with the power to "sue and be sued" (N.J.S.A. 18A:64-30) and directs them to procure their own legal representation because they will not be represented by the State of New Jersey Office of Attorney General (N.J.S.A. 18A:64-35), thereby exempting them from protection under the New Jersey Tort Claims Act): Director's and Officer's Liability in the amount of \$5,000,000 with a per occurrence deductible of \$25,000; General Liability in the amount of \$1,000,000 per occurrence with a \$3,000,000 annual aggregate and a per occurrence deductible of \$75,000, which also extends coverage to Rowan student educational programs and activities; and excess liability in the amount of \$20,000,000 which responds above the General Liability policy, and the University's Student Professional Liability policy referenced above, and also provides difference in conditions coverage to the University to cover any gaps in Tort Claims liability protection.

All commercial insurance policies are renewed on an annual basis. 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.

(d) *Medical Malpractice Self-Insurance Fund*

The University participates in a Trust Fund administered by the State 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 \$15,658,995 in fiscal year 2015 for SOM. Included in accounts payable and accrued expenses is approximately \$3,100,000 which represents the University's contribution to the Fund for the year ended June 30, 2015.

(e) *Corporate Integrity Agreement*

The 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

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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 expired September 2014, but the compliance measures that have been developed and implemented will be continued. A Voluntary Compliance Program was implemented on September 26, 2014.

(f) 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.

(g) Service Concession Arrangement for the Student Housing Facility

Ground Lease

On April 30, 2015, the University entered into a ground lease with Provident Group – Rowan Properties LLC (Provident) to develop, construct and operate a student housing facility (the Project), consisting of an approximately 1,415 bed student housing facility including a shell for a residential dining facility, with all buildings, improvements, fixtures, furnishing, equipment and amenities necessary for the operation thereof on certain real property located on the campus (the Land), along with associated site infrastructure and various related amenities, utilities and improvements within and outside the Land. The term of the ground lease is 37 years and commenced on April 30, 2015 with no option to renew or extend by Provident. Upon termination of the ground lease, all rights, title and interest to the Project shall automatically and immediately vest in the University. The base annual rent is equal to the net surplus cash flow for the immediately preceding period. There were no rental payments paid by Provident during fiscal year 2015.

In connection with the ground lease, the New Jersey Economic Development Authority issued Revenue Bonds (the Bonds) and lent the proceeds to Provident in order to fulfill their obligations under the ground lease. The University has no obligation to pay debt service on the Bonds.

During the term of the ground lease, Provident shall use and operate the Land for the sole and exclusive purpose of developing and constructing the Project, operating the Project as a student housing facility only for residents, with a sublease of the Dining Facility with the University under the Dining Facility Sublease for use by the residents, the University, students and staff of the University and their visitors and authorized representatives. Upon completion of the Project, the University will act as an agent for Provident, entering into Residence License Agreements with students to reside in the student housing facility, collecting all amounts due and remitting them to the Bond Trustee and enforcing compliance with the Residence License Agreements in accordance with the management agreement. Under the terms of the Bond Trustee Indenture, the Bond Trustee will accumulate these fees to pay the annual debt service of Provident and reimburse the operating expenses of the student housing facilities on a monthly basis. The Project is in the construction phase. The University has not collected any student housing fees during fiscal year 2015.

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Project Development Agreement

On April 30, 2015 (the effective date), University Student Living, LLC (Developer) and Provident entered into a project development agreement to design and construct the student housing facility, as defined as the Project, for the benefit of and furtherance of the educational mission of Rowan University. The term of the agreement begins with the effective date and will terminate upon Developer's fulfillment of the services and obligations under the agreement. The agreement is subject to a guaranteed maximum price for development costs of \$92.0 million, subject to approved change orders. If the development costs of the final completed project exceed the guaranteed maximum price, the Developer is solely responsible for and will pay any excess costs from its own funds. All fees due to the Developer are the responsibility of Provident. Per the agreement the University is entitled to reimbursement of pre-development costs in connection with the Project up to \$0.5 million. During fiscal year 2015, the University was not reimbursed for any pre-development costs.

Management Agreement

On April 30, 2015, the University entered into a management agreement with Provident and University Student Living Management, LLC (the Manager) to engage the Manager to manage, operate and maintain the student housing facility. The term of this agreement is five years with extensions for two successive five year periods commencing with the expiration of the original five year engagement, unless either party provides notice of nonextension at least 120 days prior to such expiration. The original five year engagement begins after the date of substantial completion of the student housing facility in which revenues are deposited to the Bond Trustee.

All fees due to the Manager are the responsibility of Provident. The University is responsible for the billing and collection of student housing fees, deposits, charges and other amounts under residence license agreements and remitting the funds to the Bond Trustee. The University will provide resident life services and staffing; marketing of the student housing facility; and cable, telephone and internet services, all of which will be reimbursed as operating expenses of the Project. No costs were incurred or reimbursed to the University during fiscal year 2015.

Dining Facility Sublease

On April 30, 2015, the University entered into a Dining Facility Sublease with Provident for the operation and management of a dining facility that is to be constructed under the project development agreement. The term begins on the date that the Project is substantially completed and the University accepts possession of the dining facility. The end of the lease is concurrent with the ground lease with automatic renewal to the extent that the ground lease is extended or renewed. The base annual rent is \$1.00. The Project is in the construction phase. No rental costs were incurred or paid during fiscal year 2015.

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(h) Camden Housing Project

In April 2014, the University entered into an agreement regarding Development of Housing and Related Guaranty of Rental Payment with Broadway Housing Partners LLC (the Developer) to purchase and redevelop the properties in the immediate vicinity of the Cooper Medical School of Rowan University. These properties contain approximately fifty-six residential rental units, which the Developer intends to lease to University students as fair market rental housing, and, with regard to any units that are not leased to University students, to any other qualified renters, so as to maximize occupancy of the units in the project. As the University directly benefits from the redevelopment of the properties, the University warrants to pay the Developer on an annual basis the difference between ninety-five percent of aggregate standard rent and the aggregate rent collected. There is no cap of these shortfall payments during the initial term (years 1-10). During the second term (years 11-20), as the rent increases, in year 11 the shortfall payment shall not exceed \$300,000; and in each calendar year thereafter the cap shall be increased by a percentage equal to the percentage increase in the CPI index. The University's shortfall payments will not exceed the aggregate amount of \$2,500,000 over the course of the second term. The University shall have no obligation to pay any amounts to the Developer for the periods after the expiration of the second term. The first rental year will begin on August 1, 2015.

(12) Rowan University Foundation

Component Unit

Rowan University Foundation (the Foundation) is a legally separate, tax-exempt component unit of the University with a fiscal year-end of June 30. The Foundation has received a determination letter from the Internal Revenue Service concluding that it is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation acts primarily as a fundraising 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, 2015, the University received \$8,110,814 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.

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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, 2015:

		<u>Amount</u>
Cash and cash equivalents	\$	7,170,113
Restricted cash and cash equivalents		2,359,501
Investments:		
Bond mutual funds (domestic)	\$	18,570,804
Common stock mutual funds (domestic)		69,281,831
Common stock mutual funds (international)		34,263,184
Realty investments		4,721,310
Alternative investments		52,548,431
	\$	<u>179,385,560</u>

As of June 30, 2015, the Foundation's investments are reported on the statements of net position as follows:

		<u>Amount</u>
Investments	\$	46,968,851
Restricted investments		15,644,609
Restricted nonexpendable investments		<u>116,772,100</u>
	\$	<u>179,385,560</u>

For the year ended June 30, 2015, the increase in fair value on investments was \$4,059,737 and the net realized (loss) on investments was (\$43,011). 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, which are reviewed by the Foundation's management for reasonableness. Because alternative investments are not readily marketable, their estimated value is subject to uncertainty and therefore may differ from the value that would have been used had a ready market for such investments existed. Such difference could be material.

The Foundation maintains a diverse investment portfolio. Alternative investments include interests in real estate, limited partnerships, and other domestic and international investment funds. These instruments may contain elements of both credit and market risk. Such risks include, but are not limited to, limited liquidity, absence of regulatory oversight, dependence on key individuals, and nondisclosure of portfolio composition.

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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 has committed total capital of \$42,000,000 in real estate and venture capital investments, \$6,003,304 of which is unfunded as of June 30, 2015. The Foundation's investments are subject to various risks. Among these risks are credit risk and interest rate risk. Each one of these risks is 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, 2015 consists of the following:

	Amount
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	1,193,082
Rohrer Scholars for scholarships	1,080,932
John B. Campbell Professorial Chair	1,176,282
Keith and Shirley Campbell Endowment to support library operations	1,641,896
Rohrer College of Business	1,513,580
Henry M. Rowan College of Engineering Endowment	1,000,000
Other endowment funds	9,166,210
	\$ 116,772,100

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

Component Unit

South Jersey Technology Park at Rowan University, Inc. (SJTP) was established and is being maintained as part of the educational mission of the University, its initial sole member. SJTP hopes to create jobs and job training and provide new and varied “hands-on” educational experiences for the University students as well as combat community deterioration. The goal of SJTP is to create job opportunities and job training for the under-employed and unemployed of the South Jersey region. SJTP is an organization described under Section 501(c)(3) of the Internal Revenue Code and therefore exempt from Federal income taxes under Section 501(a) of the Code. SJTP’s assets are used exclusively for the benefit, support, and promotion of the University and its educational activities. Because the members of the SJTP Board of Directors are appointed by the Board of Trustees of the University, SJTP is considered a component unit of the University and is discretely presented as part of the University’s financial statements.

(a) *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 statements of revenues, expenses, and changes in net position for fiscal year 2015.

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, 2015, SJTP recognized \$510,839 in rental income related to this lease agreement. The University also reimbursed SJTP \$76,643 for utility charges associated with this lease for fiscal year 2015.

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 \$351,256 for fiscal year 2015 and are reflected in professional and other services expenses in the accompanying statement of revenues, expenses, and changes in net position.

(14) Subsequent Events

In August 2015, the Gloucester County Improvement Authority issued Series 2015 C Bonds. The 2015 C refunding bonds totaled \$51,550,000 with coupon rates ranging from 4.00% to 5.00% and maturing through 2044. The proceeds from this bond issuance will be used, along with other available University funds, to finance defined building projects, fund capitalized interest on the 2015 C issue through July 1, 2017 and pay the costs of issuance.

ROWAN UNIVERSITY
(A Component Unit of the State of New Jersey)
Required Supplementary Information (Unaudited)
Schedules of Employer Contributions
June 30, 2015

Public Employees' Retirement System

Contractually required contribution	\$	1,685,482
Contributions in relation to the contractually required contribution		1,685,482
Contribution deficiency (excess)	\$	—
University employee covered-payroll	\$	51,495,300
Contributions as a percentage of employee covered payroll		3.27%

Police and Firemen's Retirement System

Contractually required contribution	\$	529,301
Contributions in relation to the contractually required contribution		529,301
Contribution deficiency (excess)	\$	—
University employee covered-payroll	\$	2,066,181
Contributions as a percentage of employee covered payroll		25.62%

See accompanying independent auditors' report.

ROWAN UNIVERSITY
(A Component Unit of the State of New Jersey)
Required Supplementary Information (Unaudited)
Schedules of Proportionate Share of the Net Pension Liability
June 30, 2015

Public Employees' Retirement System

University proportion of the net pension liability – State Group		1.184%
University proportion of the net pension liability – Total Plan		0.613%
University proportionate share of the net pension liability	\$	238,238,870
University employee covered-payroll		50,121,737
University proportionate share of the net pension liability as a percentage of the employee covered-payroll		475.3%
Plan fiduciary net position as a percentage of the total pension liability		42.74%

Police and Firemen's Retirement System

University proportion of the net pension liability – State Group		0.406%
University proportion of the net pension liability – Total Plan		0.083%
University proportionate share of the net pension liability	\$	14,428,274
University employee covered-payroll		1,985,629
University proportionate share of the net pension liability as a percentage of the employee covered-payroll		726.6%
Plan fiduciary net position as a percentage of the total pension liability		58.86%

Teachers' Pension and Annuity Fund

University proportion of the net pension liability		0.012%
University proportionate share of the net pension liability	\$	—
State's proportionate share of the net pension liability associated with the College		6,406,231
Total net pension liability		6,406,231
University employee covered-payroll		7,656
University proportionate share of the net pension liability as a percentage of the employee covered-payroll		0.0%
Plan fiduciary net position as a percentage of the total pension liability		33.64%

See accompanying independent auditors' report.

ROWAN UNIVERSITY
(A Component Unit of the State of New Jersey)
Schedule of Expenditures of Federal Awards
Year ended June 30, 2015

Federal grantor/pass-through grantor/program or cluster title	Federal CFDA/grant number	Current year expenditures
Research and Development Cluster:		
U.S. Department of Commerce:		
Passed through The National Institute of Standards and Technology:		
Summer Undergraduate Research Fellowship (SURF) at NIST Gaithersburg	11.609	\$ 6,050
FY 2015 Summer Undergraduate Research Fellowship	11.620	19,084
U.S. Department of Defense:		
Passed through Robert Wood Johnson Medical School:		
U.S. Army Medical Research Acquisition Act – Developing Treatment	12.420	52,668
Passed through U.S. Army:		
Synthesis and Characterization of Bio-based Resins for the Development of Sustainable Polymers and Composites for DoD Applications	12.431	82,970
Passed through Northeastern University:		
A Virtual Reality Training Environment for Cold Spray Application: A Feasibility Study	12.431	89,645
U.S. Geological Survey:		
Passed through N.J. Water Resources Research Institute:		
Modeling Hydrologic and Stream Temperature Response to Land-Use and Climate Change in Developed and Developing Watersheds: A Comparative Analysis	15.805	15,960
Federal Aviation Administration:		
Performance of Unbound Layers of a Flexible Pavement System During Aircraft Landing		
	20.108	25,276
Visualization of Unmanned Aircraft Systems (UAS) within CAVE Virtual Reality Environment: A Feasibility Project		
	20.108	5,649
Development of the Rate of Dissipated Energy Change (RDEC) Based Fatigue Model Calibrated Using Mechanical Response Data and Field Performance from CC1 and CC3 test items at the NAPTF		
	20.108	67,017
U.S. Department of Transportation:		
Passed through State of New Jersey Department of Transportation:		
Environmental Impacts of RAP	20.200	96,614
Passed through the Research Foundation of CUNY:		
Restricted Use License Program for Suspended NJ Drivers	20.237	44,493
Impact of Polymer Modification on Mechanical and Viscoelastic Properties of Binders and Hot Mix Asphalt	20.701	27,995
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	25,351
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	18,180
New Jersey Space Grant Community College Bridge Program at Rowan University	43.008	4,825
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, 2015

<u>Federal grantor/pass-through grantor/program or cluster title</u>	<u>Federal CFDA/grant number</u>	<u>Current year expenditures</u>
National Science Foundation:		
Passed through Rutgers, The State University of New Jersey:		
ERC Education and Outreach Efforts	47.041	\$ 29,333
AIS: Learning From Initially Labeled Nonstationary Streaming Data	47.041	52,357
Career Transfer: Project Energy: Exploring New Energy Alternatives Relevant to Generation Y	47.049	58,321
Measuring Ice Abundances in Martian Clouds	47.049	16,760
Electrochemical, Spectroscopic, Thermodynamics, and Computational Investigations of Hydrogen Ions Solvations in Acidic Ionic Liquids-Approach to High Proton Conductivity Ionic Liquid Electrolytes	47.049	23,807
MRI: Acquisition of a Combination-Raman and FTIR for Research, Education and Training	47.049	140,000
Evolution of Complex Traits	47.074	193,952
Lin-28 and Iet-7 microRNAs	47.074	27,746
Organizing the Curriculum	47.076	16,024
Collaborative Research: TUES: Vertical Integration of Concepts & Laboratory Experiences in Biometrics Across the Four Year Electrical & Computer Engineering Curriculum	47.076	80,826
Learning Algorithm Design: A Project-based Curriculum	47.076	30,476
Music Signals & Systems: Undisciplined Education in a Multi-Campus System	47.076	28,954
Enhancing the Undergraduate STEM Curriculum Through a Multidisciplinary Approach that Integrates Biology and Engineering	47.076	57,120
Collaborative Research: Training Next Generation Faculty and Students to Address the Infrastructure Crisis	47.076	3,921
Using a Large-scale Green Design Project to Increase Student Learning and Retention	47.076	7,064
G-SPELL: Gender and Science Proficiency for English Language Learners	47.076	9,368
Passed through CDRF Global:		
Properties of Magnetic Polymeric Composites	47.079	11,192
Collaborative Research: CI – Team Demonstration – Interactive and Collaborative Learning Environment Using Virtual Reality Games	47.080	24,171
U.S. Department of Veteran Affairs:		
Passed through Medical College of Wisconsin		
ANK-dependent ATP Efflux Causes Calcium Pyrophosphate Deposition in Cartilage	64.UNK	2,368
U.S. Environmental Protection Agency:		
Passed through County of Salem, NJ:		
Planning for Water Quality Objectives	66.454	37,101
Low Cost Portable Percussion Well Drill and Bailer	66.516	1,158
Marine Electricity from High Altitude Wind with a Kite	66.516	738
Sustainable P2 Design for Batch-based Speciality Chemical Manufacture	66.708	3,078
U.S. Department of Energy:		
Algae to Ethanol Research & Evaluation	81.087	66,168

ROWAN UNIVERSITY
(A Component Unit of the State of New Jersey)
Schedule of Expenditures of Federal Awards
Year ended June 30, 2015

<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:		
National Institutes of Health:		
Ethanol 2R01AA012897 07A1	93.273	\$ 118,658
Game-based Contingency Management for Smoking Cessation	93.279	55,651
Breathe Free: Smartphone Videogame-Based Incentives for Smoking Cessation	93.279	29,157
Passed through University of Pennsylvania:		
Cocaine Addiction and Retrotransposons	93.279	7,817
Team-based Projects to Improve Student Design Experience	93.286	55,206
Affordable Care Act	93.286	512,443
Fatty Acids-mediated Inflammation	93.307	397,880
Post Resuscitation PaCO2 and Neurological Outcomes After Cardiac Arrest	93.837	216
Passed through University of Pennsylvania:		
Micro: Exercise Program for Persons with Peripheral Arterial Disease	93.837	1,080
Self-assembling Biomimetic Hydrogels with Bioadhesive Properties for		
Intervertebral Disc Repair	93.846	109,089
Stem Cell Based Therapy	93.853	31,770
Passed through Thomas Jefferson University:		
Neuromodulation of Kv3.4 Channels in Nociceptors	93.853	1,356
Passed through Emory University:		
B Cells in Health and Disease, Project 4	93.855	165,471
1R01GM085282 01 Reg Pathway	93.859	(41,853)
Monitoring Mechanisms	93.859	205,730
Mechanisms of Transcription	93.859	321,861
Mechanisms of Transient	93.859	10,730
Stress Dynamics	93.859	46,283
Stress and Cyclin C	93.859	26,433
Cardiovascular Risk Factors	93.865	(3,197)
Effects of Hurricane Sandy on Traje	93.866	228,120
Older People & Hurricane Sandy	93.095	435,429
Disaster Health Consequence	93.095	73,756
AHEC	93.107	220,626
Model State-Supported Area Health EDU	93.107	(18)
Geriatric Training Program	93.156	540,211
Passed through University of Texas:		
pHSensitive Complex Hydrogels for Protein Drug Release	93.288	(972)
Passed through University of Illinois at Chicago:		
Minimal-Perturbation Dynamic Control of the Melanoma Gene		
Regulatory Network	93.590	46,006
Geriatric Education Center	93.969	394,827
CMSRU Primary Care Academic Administrative Unit	93.884	150,563
Total Research and Development Cluster		<u>5,659,109</u>

ROWAN UNIVERSITY
(A Component Unit of the State of New Jersey)
Schedule of Expenditures of Federal Awards
Year ended June 30, 2015

<u>Federal grantor/pass-through grantor/program or cluster title</u>	<u>Federal CFDA/grant number</u>	<u>Current year expenditures</u>
Student Financial Assistance Cluster:		
U.S. Department of Education:		
Federal Supplemental Educational Opportunity Grant	84.007	\$ 493,942
Federal Work Study (including administrative costs of \$110,580)	84.033	783,967
Federal Perkins Loan	84.038	5,165,346
Federal Pell Grant Program	84.063	15,785,552
Federal Direct Loan Program:		
Parent Loans	84.268	23,681,036
Graduate Loans	84.268	7,243,929
Subsidized Loans	84.268	25,090,883
Unsubsidized Loans	84.268	58,506,207
Total Federal Direct Loan Program		<u>114,522,055</u>
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379	79,320
U.S. Department of Health and Human Services:		
Loans for Disadvantaged Students	93.342	648,923
Total Student Financial Assistance Cluster		<u>137,479,105</u>
U.S. Department of Education:		
Upward Bound Program for ELL	84.047	222,677
Passed through New Jersey Commission on Higher Education:		
C.H.A.M.P./GEAR-UP Program at Rowan University	84.334	494,586
Teacher Quality Partnership Grants:		
Garden State Partnership	84.336	138,595
Passed through State of New Jersey Department of Education:		
Formative Assessment and Instructional Interventions for Learning in Mathematics	84.366	315,265
Math and Science Partnership Program	84.366	279,643
		<u>594,908</u>
FY15 Common Core Academy at Rowan	84.367	150,573
Passed through New Jersey Office of the Secretary of Higher Education:		
AIM High Science & Technology Academy	84.378	156,125
Total U.S. Department of Education		<u>1,757,464</u>
U.S. Department of Health and Human Services:		
Campus Suicide Prevention Grant	92.243	80,861
U.S. Department of Justice:		
Passed through NJ Department of Law and Public Safety:		
Yield to Pedestrians in Crosswalks Program	20.600	15,300
The Library of Congress:		
Passed through Waynesburg University:		
Lesson Designs for Teaching with Primary Sources	42.UNK	9,440
Total expenditures of Federal awards		<u>\$ 145,001,279</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, 2015

State of New Jersey grantor/pass-through grantor/program or cluster title	Grant/account number	Grant amount	Grant period	Current year expenditures
Research and Development Cluster:				
New Jersey Department of Transportation:				
Laser Scanning Aggregates for Real Time Property Identification	49997-11-25	\$ 289,521	06/01/13 – 08/31/15	\$ 110,792
2013-02 Alternatives to Nuclear Density Testing	99ROW1-14-60170 – Task Order 20	210,885	09/01/13 – 08/31/15	177,388
Passed through Region 2 University Transportation Research Center:				
Truck Driver Fatigue Assessment Using a Virtual Reality System	Task Order 49997-43-25	79,979	04/01/14 – 08/31/15	35,137
Effect of Plug in Hybrid Electric Vehicle Adoption on Gas Tax Revenue, Local Pollution and Greenhouse Gas Emissions in SCI Animals	Task Order 49997-40-25	38,003	06/01/14 – 08/31/15	26,962
New Jersey Department of Health:				
Using Bioengineering Scaffolds Loaded with Neurotrophins to Enhance Functional Recovery After Locomotor Rraining in SCI Animals	CSCR14ERG001	98,927	06/01/14 – 12/01/16	81,339
Total Research and Development Cluster				<u>431,618</u>
New Jersey Department of Military & Veterans Affairs:				
Rowan University G.I.S. Intern	3620-100-067-3620-129-P902-3620	399,047	05/15/10 – 12/31/15	163,526
NJARNG/Rowan University Energy Intern Program	—	108,885	06/01/14 – 09/30/14	94,482
National Guard Environmental Internship	—	129,323	10/01/13 – 09/30/14	50,867
Year 3 - National Guard Environmental Internship	—	129,323	10/01/14 – 09/30/15	78,776
Total New Jersey Department of Military & Veterans Affairs				<u>387,651</u>
New Jersey Commission on Higher Education:				
C.H.A.M.P./GEAR-UP Program at Rowan University	14YR2-809170-0004	386,771	09/26/13 – 09/25/14	(2,147)
C.H.A.M.P./GEAR-UP Program at Rowan University	15YR3-809170-0004	386,771	09/26/14 – 09/25/15	386,771
2015 NCCEP / GEAR-UP Capacity Building Workshop	—	7,642	12/31/14 – 04/30/15	7,642
C.H.A.M.P./GEAR-UP Statewide Academic Showcase	—	17	10/25/13 – 06/30/14	17
GEAR-UP FY15 Activity Grant Summer Conference	—	2,932	06/16/15 – 07/31/15	2,932
GEAR-UP Summer Activity	—	2,079	04/16/14 – 06/30/14	2,079
2014 NCCEP/GEAR-UP Conference	—	2,722	07/01/14 – 08/31/14	2,722
C.H.A.M.P./GEAR-UP: Spring Activity: Student Leadership Retreat	—	11,124	05/01/15 – 06/30/15	7,925
Total New Jersey Commission on Higher Education				<u>407,941</u>
Student Financial Assistance Cluster:				
New Jersey Commission on Higher Education:				
Educational Opportunity Fund	2401-100-074-001	874,412	07/01/14 – 06/30/15	874,412
GEAR-UP	0001055904	80,220	07/01/14 – 06/30/15	80,220
Higher Education Student Assistance Authority:				
Governor's Urban Scholarship Program	2405-100-074-2405-329	22,000	07/01/14 – 06/30/15	22,000
Tuition Aid Grant Program	2405-100-074-2405-007	13,916,250	07/01/14 – 06/30/15	13,916,250
New Jersey College Loans to Assist State Students	2405-100-074-2405-003	6,162,853	07/01/14 – 06/30/15	6,162,853
New Jersey Student Tuition Assistance Reward Scholarship Program	2405-100-074-2405-313	293,470	07/01/14 – 06/30/15	293,470
Total Student Financial Assistance Cluster				<u>21,349,205</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, 2015

State of New Jersey grantor/pass-through grantor/program or cluster title	Grant/account number	Grant amount	Grant period	Current year expenditures
New Jersey Department of 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 – 02/28/16	\$ 125,908
Huntington Disease NJISA	DFHS14HDS001	72,000	07/01/13 – 06/30/14	1,950
Huntington Disease FY15	DFHS15HDS001	309,070	07/01/14 – 06/30/15	200,014
Huntington Disease NJISA FY15	DFHS15HDS002	70,000	07/01/14 – 06/30/15	68,833
Huntington's Disease Service 2014	DFHS14HDS001	309,070	07/01/13 – 06/30/14	123,751
Glucuronidation & Autism	CAUT13APL016	199,796	06/24/13 – 06/30/15	196,388
Nursing Home Project	—	435,672	10/01/12 – 06/30/15	171,474
Total New Jersey Department of Health				<u>888,318</u>
New Jersey Department of Agriculture:				
Soil Disturbance Internship Project	—	8,183	07/01/14 – 08/31/14	7,840
New Jersey Department of State:				
New Jersey Historical Commission:				
Internships in History	HC-PROMINI-2013-2-ROWAN U-041	4,494	05/01/13 – 12/31/14	4,494
Higher Education Administration:				
Grants-In-Aid Appropriations to Senior Public Colleges and Universities	—	88,792,004	07/01/14 – 06/30/15	88,792,004
Fringe Benefits Other Than FICA For Senior Public Colleges and Universities	—	46,771,619	07/01/14 – 06/30/15	46,771,619
FICA (Social Security Tax) For Senior Public Colleges and Universities	—	10,872,032	07/01/14 – 06/30/15	10,872,032
Total New Jersey Department of State				<u>146,440,149</u>
New Jersey Department of Children and Families:				
Psychological Services for Abused and Neglected Children	14BYDS	197,890	07/01/13 – 06/30/15	166
Psychological Services for Abused and Neglected Children	15BYDS	197,890	07/01/14 – 06/30/15	197,890
Psychological Services for Abused and Neglected Children				<u>198,056</u>
Child Abuse and Foster Care Services	13XDDS	2,415,494	07/01/12 – 06/30/13	(8,249)
Child Abuse and Foster Care Services	14XDDS	6,021,494	07/01/13 – 06/30/14	(421,484)
Child Abuse and Foster Care Services	15XDDS	6,281,084	07/01/14 – 06/30/15	4,483,331
Child Abuse and Foster Care Services				<u>4,053,598</u>
Children's Mental Health	14LSMR	200,000	07/01/13 – 06/30/14	313
Children's Mental Health	15LSMR	200,000	07/01/14 – 06/30/15	195,428
Children's Mental Health				<u>195,741</u>
Total New Jersey Department of Children and Families				<u>4,447,395</u>
New Jersey Department of Human Services:				
Division of Development Disabilities:				
Psychiatric Services for Dually Diagnosed Persons	50DL13R	1,266,258	07/01/12 – 06/30/13	9
Psychiatric Services for Dually Diagnosed Persons	04ME14S	899,788	07/01/13 – 06/30/14	762
Psychiatric Services for Dually Diagnosed Persons	04ME15S	899,788	07/01/14 – 06/30/15	853,050
Psychiatric Services for Dually Diagnosed Persons				<u>853,821</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, 2015

State of New Jersey grantor/pass-through grantor/program or cluster title	Grant/account number	Grant amount	Grant period	Current year expenditures
Division of Mental Health Services:				
Crisis Consultation and Community Outreach Program	40008	\$ 374,690	07/01/13 – 06/30/14	\$ 2,508
Crisis Consultation and Community Outreach Program	40008	374,690	07/01/14 – 06/30/15	289,658
Crisis Consultation and Community Outreach Program				292,166
Total New Jersey Department of Human Services				1,145,987
New Jersey Department of the Treasury:				
Educational Opportunity Fund – Article IV:				
Academic Year – Camden Campus	2401-100-2401-002	187,155	06/01/14 – 07/31/15	167,279
Summer – Main Campus	2401-100-2401-002	350,890	06/01/14 – 07/31/15	332,917
Academic Year – Camden Campus	2401-100-2401-002	177,803	06/01/14 – 07/31/15	106,488
Academic Year – Main Campus	2401-100-2401-002	275,465	06/01/14 – 07/31/15	274,812
FY14 Academic Year - Main Campus	—	261,700	06/01/13 – 07/31/14	(460)
FY16 Academic Year Main Campus	—	261,700	06/01/15 – 07/31/16	3,590
FY16 Summer-Camden Campus	—	119,865	06/01/15 – 07/31/16	9,369
FY16 Summer-Main Campus	—	357,031	06/01/14 – 07/31/15	19,766
FY16 Academic Year Camden Campus	—	261,700	06/01/15 – 07/31/16	1,317
SOM - Summer Prep	—	35,854	06/01/13 – 07/01/14	264
UMDNJ-SOM Pre-Matriculation Program	—	5,526	06/01/13 – 07/01/14	476
Summer Prep 2015	EOF632	60,743	06/01/14 – 07/31/15	37,882
SOM Pre-Matric Prgm FY14/15	EOF631	5,574	06/01/14 – 07/31/15	5,119
SOM Summer PREP (Pre-Medical Research & Education Program) FY15/16	—	60,743	06/01/14 – 07/31/15	26,543
SOM Pre-Matriculation Program FY15/16	—	5,574	06/01/15 – 07/31/16	617
Total New Jersey Department of the Treasury				985,978
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	2,956,959
Wilson Hall Window Replacement	046-07	1,030,885	dated 3/1/2014	321,721
Camden Bank Renovations – Phase II	046-09	17,622,760	dated 3/1/2014	1,028,718
Total Higher Education Capital Improvement Grant				4,307,398
Equipment Leasing Fund:				
Data Storage	046-11	750,000	dated 1/1/2014	453,297
Higher Education Technology Infrastructure Fund:				
Data Warehouse	046-12	260,859	dated 1/1/2014	155,139
Voice Over Internet Protocol	046-13	63,157	dated 1/1/2014	63,157
Upgrade of Technology Enhanced Classrooms	046-14	101,060	dated 1/1/2014	87,296
Banner Upgrade	046-16	468,575	dated 1/1/2014	21,617
Dark Fiber Network Upgrade	046-17	464,186	dated 1/1/2014	(37,183)
Cave Technology	046-18	978,161	dated 1/1/2014	488,593
Swipe Card System	046-19	1,280,000	dated 1/1/2014	89,900
Total Higher Education Technology Infrastructure Fund				868,519
Total New Jersey Educational Facilities Authority				5,629,214

ROWAN UNIVERSITY
 (A Component Unit of the State of New Jersey)
 Schedule of Expenditures of State of New Jersey Awards
 Year ended June 30, 2015

State of New Jersey grantor/pass-through grantor/program or cluster title	Grant/account number	Grant amount	Grant period	Current year expenditures
Secretary of Higher Education				
Building our Future Bond Act:				
Rohrer College of Business Building	046-03	\$ 40,393,881	dated 3/1/2014	\$ 4,253,096
College of Engineering Facility Expansion	046-04	45,958,106	dated 3/1/2014	<u>4,976,827</u>
Total Building our Future Bond Act				<u>9,229,923</u>
Total Secretary of Higher Education				<u>9,229,923</u>
Total expenditures of State of New Jersey awards				<u>\$ 191,351,219</u>

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

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

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

Year ended June 30, 2015

(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 15-08, *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 2015 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. Credit expenditures or expenditures occurring after the grant period end typically result from grant or contract closing adjustments and transfers to recognize awards for which the University overspent their authorized award amount and will cover the excess with institutional funds.

(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, 2015 were as follows:

	Federal perkins loan program	Loans for disadvantaged students
Beginning balance	\$ 4,065,346	571,923
New loans issued	1,100,000	77,000
Payments	(632,941)	(54,408)
Adjustments	1,000	—
Write offs	28	—
Cancellations	(800)	—
Ending balance	\$ 4,532,633	594,515

(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, 2015.

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, 2015

(4) Subrecipients

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

<u>Program or cluster title</u>	<u>Federal CFDA number</u>	<u>Amount provided to subrecipients</u>
U.S. Army Medical Research Acquisition Act – Developing Treatment	12.420	\$ 66,031
Environmental Impacts of RAP	20.200	51,962
Restricted Use License Program for Suspended NJ Drivers	20.237	30,739
Airfield Flexible Pavements and Its Impact on Design Life	20.701	17,853
Collaborative Research: TUES: Vertical Integration of Concepts & Laboratory Experiences in Biometrics Across the Four Year Electrical & Computer Engineering Curriculum	47.076	2,500
Music Signals & Systems: Undisciplined Education in a Multi-Campus System	47.076	18,951
Algae to Ethanol Research & Evaluation	81.087	33,334
Older People & Hurricane Sandy	93.095	11,269
Disaster Health Consequence	93.095	43,219
AHEC	93.107	161,000
Geriatric Training Program	93.156	96,734
Game-based Contingency Management for Smoking Cessation	93.279	41,018
Geriatric Education Program	93.969	3,000



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

The Board of Trustees
Rowan University:

We have audited, 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 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, 2015, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated January 15, 2016. 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 opinions 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

Short Hills, New Jersey
January 15, 2016



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 Schedule of Expenditures of Federal Awards Required by Federal OMB Circular A-133 and Schedule of Expenditures of State of New Jersey Awards Required by New Jersey OMB Circular 15-08

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, 2015. 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 15-08, *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 15-08 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

As described in Finding 2015-001 in the accompanying schedule of findings and questioned costs, the University did not comply with Federal requirements regarding the following:

CFDA #	Program (or Cluster) Name	Compliance Requirement
93.095, 93.307, 93.156, 93.859, 93.969	Research and Development Cluster	Activities Allowed or Unallowed and Allowable Costs/Cost Principles
84.334	C.H.A.M.P./GEAR-Up Program at Rowan University	Activities Allowed or Unallowed and Allowable Costs/Cost Principles

As described in Finding 2015-007 in the accompanying schedule of findings and questioned costs, the University did not comply with State requirements regarding the following:

State Grant Number	Program Name	Compliance Requirement
15XDDS	Child Abuse and Foster Care Services	Types of Services Allowed or Unallowed
04ME15S	Psychiatric Services for Dually Diagnosed Persons	Types of Services Allowed or Unallowed

Compliance with such requirements is necessary, in our opinion, for the University to comply with the requirements applicable to that program.

Qualified Opinion

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 major programs listed in the tables above for the year ended June 30, 2015.

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, 2015.

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 15-08 and which are described in the accompanying schedule of findings and questioned costs as items 2015-002, 2015-003, 2015-004, 2015-005, 2015-006 and 2015-008. 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 15-08, 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 deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2015-001 and 2015-007 to be material weaknesses.

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 2015-002, 2015-003, 2015-004, 2015-005, 2015-006 and 2015-008 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 15-08. Accordingly, this report is not suitable for any other purpose.



Report on Schedule of Expenditures of Federal Awards Required by Federal OMB Circular A-133 and Schedule of Expenditures of State of New Jersey Awards Required by New Jersey OMB Circular 15-08

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, 2015, and the related notes to the financial statements, which collectively comprise the University's basic financial statements. We issued our report thereon dated January 15, 2016, 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 15-08 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

Short Hills, New Jersey
March 31, 2016

ROWAN UNIVERSITY
(A Component Unit of the State of New Jersey)
Schedule of Findings and Questioned Costs
Year ended June 30, 2015

(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, 2015, which collectively comprise the University's basic financial statements.
- (b) The audit disclosed no material weaknesses and no significant deficiencies in internal control were reported in connection with the basic financial statements of the University as of and for the year ended June 30, 2015.
- (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, 2015.
- (d) The audit disclosed one material weakness (2015-001) in connection with major Federal programs and one material weakness (2015-007) in connection with major State of New Jersey programs of the University for the year ended June 30, 2015. Five significant deficiencies (2015-002, 2015-003, 2015-004, 2015-005 and 2015-006) were reported in connection with major Federal programs and one significant deficiency (2015-008) was reported in connection with major State of New Jersey programs of the University for the year ended June 30, 2015.
- (e) Qualified opinions were issued on the University's compliance with the Research and Development Cluster, C.H.A.M.P./GEAR-UP Program at Rowan University, Child Abuse and Foster Care Services and Psychiatric Services for Dually Diagnosed Person for the year ended June 30, 2015. An unmodified opinion was issued for each of the other major Federal and State of New Jersey programs for the year ended June 30, 2015.
- (f) There were six audit findings (2015-001, 2015-002, 2015-003, 2015-004, 2015-005 and 2015-006) which are required to be reported under Section 510(a) of Federal OMB Circular A-133 and two audit findings (2015-007 and 2015-008) which are required to be reported under New Jersey OMB Circular 15-08 for the year ended June 30, 2015.
- (g) The major Federal and State of New Jersey programs of the University for the year ended June 30, 2015 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)

State of New Jersey

- Student Financial Assistance Cluster
- Grants-In-Aid Appropriations to Senior Public Colleges and Universities

ROWAN UNIVERSITY
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Schedule of Findings and Questioned Costs

Year ended June 30, 2015

- Psychiatric Services for Dually Diagnosed Persons
- Child Abuse and Foster Care Services
- Higher Education Technology Infrastructure Fund
- Equipment Leasing Fund
- Higher Education Capital Improvement Grant
- Building our Future Bond Act

(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, 2015.

(i) The University did not qualify as a low risk auditee for Federal awards for the year ended June 30, 2015. The University did qualify as a low risk auditee for State of New Jersey awards for the year ended June 30, 2015.

(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

2015-001 Activities Allowed or Unallowed and Allowable Cost/Cost Principles – Time and Effort Reporting

U.S. Department of Health and Human Services:

Research and Development Cluster:

- Older People & Hurricane Sandy (CFDA #93.095)
- Fatty Acids-mediated Inflammation (CFDA #93.307)
- Geriatric Training Program (CFDA #93.156)
- Mechanisms of Transcription (CFDA #93.859)
- Geriatric Education Centers (CFDA #93.969)

U.S. Department of Education:

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

Federal Grant Numbers: 6HITEP13008, 5R01MD007828, D01HP08793, 5R01GM104231, 6UB4HP26039, P334S11034

Criteria

Federal OMB Circular A-21.J.10.c.2 requires that after-the-fact activity reports reasonably reflect the activities for which employees are compensated by the institution. Further, for professorial and professional staff, the reports will be prepared each academic term, but no less frequently than every six months. For

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

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

other employees, unless alternate arrangements are agreed to, the reports will be prepared no less frequently than monthly and will coincide with one or more pay periods.

Condition

The University utilizes a web-based Banner Effort Reporting module to determine and document the compensated effort expended on Federal and state sponsored projects and grants. This module documents the proportionate time devoted to sponsored projects, teaching, clinical practice and other activities and expresses such as a percentage of total University compensated effort, which is based on salary distribution/payroll records. Time and effort certification is done semi-annually, typically performed from July 1 to December 31 and January 1 to June 30. The principal investigator for each sponsored project is responsible for certifying the effort of the employees working on the project approximately four weeks, or 20 business days, after they are distributed.

For the R&D Cluster, we noted for a sample of twenty-five employees, the following:

- For three employees, a time and effort certification was not provided to support the allocation of actual time worked to the respective sponsored grants.
- For seven employees, a time and effort certification was performed, however due to a system issue, it was not done timely.
- For four employees, the salary charged to the grant could not be recalculated based on the percentage certified on the time and effort certification. Further, for two of these employees, the time and effort certification was not done timely.

For the C.H.A.M.P./GEAR-UP Program at Rowan University, we noted for two of the eight selections tested, a time and effort certification was not completed to validate that the distribution of activity represents a reasonable estimate of the actual work performed by the employee.

Cause

Due to a system issue, the University was unable to perform the time and effort certifications until February 2016 for the second half of the year. Further, the University excludes part-time employees who work on multiple grants from time and effort certification process.

Effect

Personal service expenditures charges to the respective programs were not appropriately supported by timely certifications of actual time and effort.

Questioned Costs

Total questioned costs for the R&D Cluster are \$29,787. The questioned costs are calculated as the employees' salary charged to the grant of \$25,932 for the respective semi-annual period selected for testwork plus the associated fringe benefits for the employees for the same semi-annual period of \$3,855. Total questioned costs for the C.H.A.M.P./GEAR-UP Program at Rowan University are \$33,658. The questioned costs are calculated as the employees' salary charged to the grant of \$24,016 for the respective semi-annual period selected for testwork plus the associated fringe benefits for the employees for the same semi-annual period of \$9,642.

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

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

Recommendation

We recommend that the University strengthen its procedures to ensure that time and effort certifications are prepared for all employees who work on sponsored projects and there is appropriate supervisory review of the time and effort certifications.

View of Responsible Official

Although effort reports were completed in a timely and effective manner for the period of the first half of FY15, management acknowledges that effort reports for the second half of FY15 were not completed until early March 2016 due to technical issues with the web-based effort reporting system related to an overall Banner system upgrade by Information Resources & Technology. This resulted in the delay in effort report generation and certification. The effort reports noted as ‘not provided’ were completed after the audit concluded and are available for review.

Research intends to work more closely with Information Resources & Technology to ensure that technical errors within the effort reporting system will be handled in a timely manner and to ensure that the system is working properly. Research staff will also work with the Finance and Payroll departments to identify the best way to incorporate part-time employees paid from multiple funding sources into the effort reporting system.

2015-002 Subrecipient Monitoring

U.S. Department of Health and Human Services:

 Research and Development Cluster:

 Older People & Hurricane Sandy (CFDA #93.095)

 Geriatric Training Program (CFDA #93.156)

 Geriatric Education Center (CFDA #93.969)

Federal Grant Numbers: 6HITEP13008, D01HP08793, 6UB4HP26039

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.

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. SOM enters into subrecipient agreements with entities in order to perform certain aspects of the objectives of particular grants within the R&D Cluster.

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

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

During our testwork, we noted for all three SOM subrecipients selected, there was no communication of any of the required Federal award information and applicable compliance requirements to the subrecipient. Total funds passed through to these subrecipients during the fiscal year ended June 30, 2015 were \$142,953.

Total funds passed through to subrecipients during the fiscal year ended June 30, 2015 were as follows: CFDA #93.095 – \$11,269, CFDA #93.156 – \$96,734, CFDA #93.969 – \$3,000. Total Research and Development (R&D) funds passed through to subrecipients was \$577,610 during the fiscal year ended June 30, 2015.

Cause

SOM has adopted the University's current policies and procedures to communicate the required Federal award information and applicable compliance requirements to their subrecipients, however the awards selected for testwork were issued prior to the current fiscal year, therefore did not include the required communications.

Effect

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 continue to follow the policies and procedures of the University to ensure communication of Federal award information and compliance requirements to all subrecipients prior to authorizing an award.

View of Responsible Official

Management concurs with this finding, but notes that per the cause listed above, the subawards tested were completed prior to the implementation of changes to the subaward process implemented following the same finding in FY14.

The management plan from FY14 was implemented and SOM subawards are prepared according to University policy/procedures. No further changes are required since the corrective action plan was implemented, however was not subject to testing during this audit.

ROWAN UNIVERSITY
(A Component Unit of the State of New Jersey)
Schedule of Findings and Questioned Costs
Year ended June 30, 2015

2015-003 Allowable Costs/Cost Principles – Indirect Costs

U.S. Department of Health and Human Services:

 Research and Development Cluster:

 Fatty Acids-mediated Inflammation (CFDA #93.307)

 Mechanisms of Transcription (CFDA #93.859)

Federal Grant Numbers: 5R01MD007828, 5R01GM104231

Criteria

- a. In order to recover indirect costs, educational institutions must prepare indirect cost rate proposals (ICRPs) in accordance with the guidelines provided in A-21. Educational institutions must submit ICRPs to the cognizant agency for approval (A-21, section G.11).
- b. ICRPs prepared by educational institutions are based on the most current financial data supported by the educational institution's accounting system and audited financial statements. These ICRPs can be used to establish either predetermined rates, fixed rates with carry-forward provisions, or provisional rates (A-21, sections G.4, G.5, and G.6). The ICRP to be used to establish indirect cost rates must be certified by the educational institution in accordance with A-21, section K.2.
- c. Indirect costs are those costs that are incurred for common or joint objectives and, therefore, cannot be identified readily and specifically with a particular sponsored project, an instructional activity, or any other institutional activity.
- d. As described in A-21, section F.1, the indirect cost categories include: building and equipment depreciation or use allowance; operation and maintenance expenses; interest expenses; general administrative expenses; departmental administration expenses; sponsored project administration expense; library expenses; and student administration expenses. In general the cost groupings established within a category should constitute a pool of items of expense that are considered to be of like nature in terms of their relative contribution to the particular cost objectives to which distribution is appropriate (A-21, section E). Cost categories should be established considering the general guidelines in A-21, section E.2.c.
- e. Indirect costs are defined into two broad categories in A-21, section F.
 - (1) "Facilities" is defined as depreciation and use allowance, interest in debt associated with certain buildings, equipment, and capital improvements, operation and maintenance expenses, and library expenses.
 - (2) "Administration" is defined as general administration and general expenses, departmental administration, sponsored project administration, student administration and services, and all other types of expenditures not listed specifically under one of the facility categories.

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

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

- f. Each educational institution's indirect cost rate process must be appropriately designed to determine that Federal sponsors do not in any way subsidize the indirect costs of other sponsors, specifically activities sponsored by industry and foreign governments (A-21, section G.).

Condition

The University charges indirect costs to Federal awards based on Federally approved rates included in the Indirect Cost Rate agreement with the U.S. Department of Health and Human Services. The Offices of Sponsored Research for the University (one for legacy-Rowan and one for the School of Osteopathic Medicine) periodically calculate indirect costs based on the expenditures incurred and the effective rate for a grant. These calculations are accumulated and posted to the general ledger by Accounting Services based on the support provided by the Offices of Sponsored Research.

For two of the ten grants selected for testwork (Fatty Acids-mediated Inflammation and Mechanisms of Transcription), we noted that the indirect cost base included equipment expenditures that should have been excluded. This resulted in indirect costs being overcharged \$9,395 and 8,915, respectively.

Cause

SOM's Office of Sponsored Research improperly included equipment expenditures in the indirect cost base.

Effect

Indirect costs were overcharged to the respective grants.

Questioned Costs

Total questioned costs for the R&D Cluster are \$18,310. The questioned costs are calculated as total equipment expenditures charged to the respective grant multiplied by the approved indirect cost rate.

Recommendation

We recommend that the University strengthen its policies and procedures over the calculation and review of indirect cost entries to ensure the correct indirect costs are calculated for Federal grants.

View of Responsible Official

Management concurs with this finding. As a result of human error, equipment over \$5,000 was included in the indirect cost calculation resulting in overcharged indirect costs.

Offices of Sponsored Programs worked with external consultants in early March 2016 to set up automatic calculation of indirect charges on grant funds. This is currently being tested to ensure setup was correct and once confirmed, will be rolled out to all grant funds. The overcharge will be rectified on the next financial report to the sponsor.

ROWAN UNIVERSITY
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Schedule of Findings and Questioned Costs

Year ended June 30, 2015

2015-004 Equipment

Research and Development Cluster:

 National Science Foundation:

 MRI: Acquisition of a Combination-Raman and FTIR for Research, Education and Training
(CFDA #47.049)

 U.S. Department of Health and Human Services:

 Fatty Acids-mediated Inflammation (CFDA #93.307)

 Mechanisms of Transcription (CFDA #93.859)

Federal Grant Numbers: DMR-1338014, 5R01MD007828, 5R01GM104231

Criteria

Equipment Management

A State shall use, manage, and dispose of equipment acquired under a Federal grant in accordance with State laws and procedures. Subrecipients of States who are local governments or Indian tribes shall use State laws and procedures for equipment acquired under a subgrant from a State.

Local governments and Indian tribes shall follow the A-102 Common Rule for equipment acquired under Federal awards received directly from a Federal awarding agency. Institutions of higher education, hospitals, and other non-profit organizations shall follow the provisions of OMB Circular A-110. Basically, the A-102 Common Rule and OMB Circular A-110 require that equipment be used in the program for which it was acquired or, when appropriate, other Federal programs. Equipment records shall be maintained, a physical inventory of equipment shall be taken at least once every 2 years and reconciled to the equipment records, an appropriate control system shall be used to safeguard equipment, and equipment shall be adequately maintained. When equipment with a current per unit fair market value of \$5,000 or more is no longer needed for a Federal program, it may be retained or sold with the Federal agency having a right to a proportionate (percent of Federal participation in the cost of the original project) amount of the current fair market value. Proper sales procedures shall be used that provide for competition to the extent practicable and result in the highest possible return.

Condition

The University utilizes Federal funds to purchase equipment to use on various projects within the R&D Cluster. It has the responsibility to perform a physical inventory on the equipment every two years and to properly tag each piece of equipment, so that it can be tracked within the fixed asset records. The School of Osteopathic Medicine 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. Prior to the integration, legacy Rowan performed a physical inventory of the SOM equipment that was being transferred to the University to properly account for those items being received.

The University has not performed an inventory of SOM's equipment since that initial inventory, therefore a physical inventory has not been performed within the last two years.

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Cause

A physical inventory of SOM's asset portfolio has not been completed in the last two years.

Effect

Equipment purchased with Federal funds may not be properly accounted for or reported in accordance with Federal requirements and, in the event a piece of equipment is sold or disposed of, the University may be unaware of additional Federal requirements related to any program income generated from such transactions.

Questioned Costs

There are no known questioned costs related to this finding.

Recommendation

We recommend that the University perform a physical inventory as required by Federal regulations over the SOM equipment acquired as of July 1, 2013.

View of Responsible Official

Management concurs with the finding. SOM assets were transitioned from UMDNJ to Rowan on July 1, 2013. The physical inventory was not completed for the SOM equipment as of June 30, 2015. Our intent was to inventory the assets in FY2016 which is within 2 years of the FY2014 takeover. The University has since completed a physical inventory of federally funded SOM equipment. In addition, the University has implemented a new fixed asset module to improve the efficiency of the asset management process.

2015-005 Reporting and Borrower Data Transmission and Reconciliation

U.S. Department of Education:

Student Financial Assistance Cluster:

Federal Pell Grant Program (CFDA #84.063)

Federal Direct Student Loan Program (CFDA #84.268)

Federal Grant Number: P063P140267, P268K150267

Criteria

Reporting

Common Origination and Disbursement (COD) System (OMB No. 1845-0039) – All schools receiving Pell grants submit Pell payment data to the Department of Education through the COD System.

Schools submit Pell origination records and disbursement records to the COD. Origination records can be sent well in advance of any disbursements, as early as the school chooses to submit them for any student the school reasonably believes will be eligible for a payment. A school follows up with a disbursement record for that student no more than 30 days before a disbursement is to be paid (7 days in the case of a school using the just-in-time method). The disbursement record reports the actual disbursement date and the amount of the disbursement. ED processes origination and/or disbursement records and returns acknowledgments to the school. The acknowledgments identify the processing status of each record: Rejected, Accepted with

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Corrections, or Accepted. In testing the Pell Payment origination and disbursement data, the auditor should be most concerned with the data ED has categorized as accepted or accepted with corrections. Institutions must report student payment data within 30 calendar days after the school makes a payment, or becomes aware of the need to make an adjustment to previously reported student payment data or expected student payment data. Schools may do this by reporting once every 30 calendar days, bi-weekly or weekly, or may set up their own system to ensure that changes are reported in a timely manner.

Key items to test on origination records are: Social Security Number, award amount, enrollment date, verification status code, transaction number, cost of attendance, and academic calendar. Key items to test on disbursement records are disbursement date and amount.

Borrower Data Transmission and Reconciliation

Institutions must report all loan disbursements and submit required records to the Direct Loan Servicing System (DLSS) via the 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 both Pell and Direct Loan disbursements to determine if the data was correctly reported. Differences are investigated to determine the reason and if necessary, manual adjustments are made.

For two of the forty students selected for Pell reporting testwork, the Pell disbursement data related to the fall disbursement was not submitted within the required timeframe to COD. Further, for one of forty students selected, the Pell disbursement data related to both the fall and spring disbursements was not submitted within the required timeframe. The disbursements were reported to COD between 1 and 139 days late. The discrepant Pell disbursements to these students totaled \$5,760; the total Pell disbursements to the forty students included in our sample were \$147,385.

For five of the fifty students selected for borrower data transmission and reconciliation testwork, the Direct Loan disbursement data related to the fall disbursements were not submitted within the required timeframe to COD. The disbursements were reported to COD between 2 and 120 days late. Furthermore, for two of the fifty students selected for testwork, the disbursement date for the fall disbursement of a loan was incorrectly reported. The discrepant Direct Loan disbursements to these students totaled \$28,755; the total Pell disbursements to the forty students included in our sample were \$616,201.

Cause

The University is not properly reviewing differences between the Student Account Summary and Banner to determine if any students need to be manually entered.

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Effect

Potential inaccuracies with 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

Rowan University concurs with the finding. Regarding the untimely federal Pell Grant disbursement date reporting, the records were inadvertently not picked up by our student processing system extracts. The students did however receive their federal Pell Grant disbursements timely. These records were subsequently identified and reported by the institution.

For 5 students, Rowan failed to report timely the Direct Loan disbursement dates to COD. In addition, for two students, Rowan reported to COD the incorrect loan disbursement dates. Rowan has corrected the disbursement dates on COD for both students. These errors occurred when the loan booking (actual disbursement date) record was extracted from our Banner system but was not sent to COD. The origination record was properly processed and the disbursements were made to students accurately and timely.

The financial aid office has strengthened its procedures for submitting disbursement information to the COD system within the prescribed time frame. Namely, a new discrepancy report was put in place during the Spring 2015 semester. This edit report compares disbursement information in our Banner system to the monthly reconciliation files that are requested from COD. Additional training has been provided to the staff to ensure that this error does not recur going forward.

2015-006 Enrollment Reporting

U.S. Department of Education:

Student Financial Assistance Cluster:

Federal Pell Grant Program (CFDA #84.063)

Federal Direct Student Loan Program (CFDA #84.268)

Federal Grant Number: P063P140267, P268K150267

Criteria

Under the Pell grant and loan programs, institutions must complete and return within 15 days the Enrollment Reporting roster file [formerly the Student Status Confirmation Report (SSCR)] placed in their Student Aid Internet Gateway (SAIG) (OMB No. 1845-0002) mailboxes sent by ED via NSLDS (OMB No. 1845-0035). The institution determines how often it receives the Enrollment Reporting roster file with the default set at

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every 2 months, but the minimum is twice a year. Once received, the institution must update for changes in student status, report the date the enrollment status was effective, enter the new anticipated completion date, and submit the changes electronically through the batch method or the NSLDS website. Institutions are responsible for timely reporting, whether they report directly or via a third-party servicer.

A student's enrollment status determines eligibility for in-school status, deferment, and grace periods, as well as for the payment of interest subsidies to FFEL Program loan holders by ED. Enrollment Reporting in a timely and accurate manner is critical for effective management of the programs. Enrollment information must be reported within 30 days whenever attendance changes for students, unless a roster will be submitted within 60 days. These changes include reductions or increases in attendance levels, withdrawals, graduations, or approved leaves-of-absence. As explained in the NSLDS Enrollment Reporting Guide, the Enrollment Reporting roster file is due within 30 days from the creation of the file that is placed in the institution's SAIG (Pell, 34 CFR section 690.83(b)(2); FFEL, 34 CFR section 682.610; Direct Loan 34 CFR section 685.309).

Condition

The University utilizes the National Student Clearinghouse (the Clearinghouse) as a service provider for transmissions of their enrollment reporting requirements to the National Student Loan Data System (NSLDS). The University receives the Enrollment Reporting Roster every month and updates it for changes in students' statuses. The file is sent to the Clearinghouse who transmits the updated information to NSLDS.

For a sample of forty students selected for testwork, we noted the following:

- For one student, the student's change in status was not reported to NSLDS.
- For one student, the student's change in status was reported to NSLDS two days after the required 60 day timeframe.
- For five students, the effective date of the status change was incorrectly reported.

Cause

The University did not check NSLDS to ensure the Clearinghouse was transmitting the data in a timely manner. Further, the University did not ensure that a student's withdrawal from the University was properly reported. Finally, the University submitted the date of determination as the effective date rather than the actual date of the change in status.

Effect

Student status changes not reported in an accurate or timely manner will cause the student to not enter into repayment status on a timely basis.

Questioned Costs

There are no known questioned costs related to this finding.

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Recommendation

We recommend that the University ensure that the proper student status change information is being communicated to NSLDS from the Clearinghouse within the required timeframe and if any discrepancies are noted that proper follow-up procedures with both NSLDS and the Clearinghouse are implemented.

View of Responsible Official

After extensive research, both within our office and with the National Clearinghouse, we can confirm the following:

- The student for whom it was mentioned that his change in status was not reported: This was due to a retro-active withdrawal. He was registered and then approved for an administrative withdrawal for the Fall 2014 term, but he then re-enrolled full-time for the Spring 2015 term. The interim status of “withdrawn” was not reported.
- The student for whom it was noted that reporting for NSLDS took place late: This was due to a student having an incomplete and open graduation application in December 2014, and so her enrollment status of “graduated” was reported as soon as possible after degrees were officially awarded in early Spring of 2015.
- For the five students mentioned for whom the effective date of the status change is incorrectly reported: The date of determination was used instead of the withdrawal date and we have since updated both our internal data entry as well as the data with the Clearinghouse.

We now have a staff member specifically assigned to Clearinghouse whose new responsibilities include following up after each transmittal with NSLDS to ensure reports are received by their staff in a timely manner. Also we will ensure all reporting is done well within the 60-day time frame.

In addition, we have updated our training documents and met as a staff to discuss updated policy and procedures. We also have a system of regular and ongoing communication with the Compliance Officer in the Financial Aid Office and feel confident that these errors will not recur going forward.

State of New Jersey Awards

2015-007 Types of Services Allowed or Unallowed – Time and Effort Reporting

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

New Jersey Department of Human Services:
Psychiatric Services for Dually Diagnosed Persons

State Grant Numbers: 15XDDS, 04ME15S

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Criteria

Federal OMB Circular A-21.J.10.c.2 requires that after-the-fact activity reports reasonably reflect the activities for which employees are compensated by the institution. Further, for professorial and professional staff, the reports will be prepared each academic term, but no less frequently than every six months. For other employees, unless alternate arrangements are agreed to, the reports will be prepared no less frequently than monthly and will coincide with one or more pay periods.

Condition

The University utilizes a web-based Banner Effort Reporting module to determine and document the compensated effort expended on Federal and state sponsored projects and grants. This module documents the proportionate time devoted to sponsored projects, teaching, clinical practice and other activities and expresses such as a percentage of total University compensated effort, which is based on salary distribution/payroll records. Time and effort certification is done semi-annual, typically performed from July 1 to December 31 and January 1 to June 30. The principal investigator for each sponsored project is responsible for certifying the effort of the employees working on the project approximately four weeks, or 20 business days, after they are run.

For the Child Abuse and Foster Care Services grant, we noted for a sample of twenty-five employees, the following:

- For two employees, a time and effort certification was not provided to support the allocation of actual time worked to the respective sponsored grants.
- For seven employees, a time and effort certification was performed, however due to a system issue, it was not done timely.

For the Psychiatric Services for Dually Diagnosed Persons grant, we noted for a sample of eight employees, the following:

- For two employees, a time and effort certification was not provided to support the allocation of actual time worked to the respective sponsored grants.
- For three employees, a time and effort certification was performed, however due to a system issue, it was not done timely.

Cause

Due to a system issue, the University was unable to perform the time and effort certifications until February 2016 for the second half of the year. Further, the University excludes part-time employees who work on multiple grants from time and effort certification process.

Effect

Personal service expenditures charges to the respective programs were not appropriately supported by timely certifications of actual time and effort.

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Questioned Costs

Total questioned costs for the Child Abuse and Foster Care Services grant are \$61,853. The questioned costs are calculated as the employees' salary charged to the grant of \$57,457 for the respective semi-annual period selected for testwork plus the associated fringe benefits for the employees for the same semi-annual period of \$4,396. Total questioned costs for the Psychiatric Services for Dually Diagnosed Persons grant are \$32,694. The questioned costs are calculated as the employees' salary charged to the grant of \$32,694 for the respective semi-annual period selected for testwork.

Recommendation

We recommend that the University strengthen its procedures to ensure that time and effort certifications are prepared all employees who work on sponsored projects and there is appropriate supervisory review of the time and effort certifications.

View of Responsible Official

Although effort reports were completed in a timely and effective manner for the period of the first half of FY15, management acknowledges that effort reports for the second half of FY15 were not completed until early March 2016 due to technical issues with the web-based effort reporting system related to an overall Banner system upgrade by Information Resources & Technology. This resulted in the delay in effort report generation and certification. The effort reports noted as 'not provided' were completed after the audit concluded and are available for review.

Research intends to work more closely with Information Resources & Technology to ensure that technical errors within the effort reporting system will be handled in a timely manner and to ensure that the system is working properly. Research staff will also work with the Finance and Payroll departments to identify the best way to incorporate part-time employees paid from multiple funding sources into the effort reporting system.

2015-008 Reporting

New Jersey Department of Human Services:
Psychiatric Services for Dually Diagnosed Persons

State Grant Number: 04ME15S

Criteria

Per the grant agreement:

Rowan University is required to submit the following reports to the Department of Human Services, Division of Developmental Disabilities to the attention of their Contract Administrator:

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

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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 Psychiatric Services for Dually Diagnosed Persons 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 expenditures on the Final Detailed Expenditure Report were overstated by \$19,677. The total expenditures on the submitted report were \$872,729, whereas the general ledger reported expenditures of \$853,052.

Cause

An amount in the general ledger was duplicated when reported, therefore creating the overstatement.

Effect

The Final Detailed Expenditure Report was submitted with the incorrect expenditures.

Questioned Costs

Total questioned costs are \$19,677. The questioned costs are calculated as the difference between the expenditures reported on the Final Detailed Expenditure Report and the expenditures reported in the general ledger.

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

Management concurs with this finding. One of the line item expenditures was reported twice as a result of human error.

The overcharged amount will be returned to the sponsor. Moving forward, a secondary review by an additional staff member will be completed before financial reports are submitted to sponsoring agencies.