



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

Basic Financial Statements and
Management's Discussion and Analysis

June 30, 2013 and 2012

(With Independent Auditors' Report Thereon)

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

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

Independent Auditors' Report

The Board of Trustees
Rowan University:

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of Rowan University (the University), a component unit of the State of New Jersey, as of and for the years ended June 30, 2013 and 2012, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, 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, 2013 and 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with U.S. generally accepted accounting principles.



Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3 through 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

KPMG LLP

October 24, 2013

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Management's Discussion and Analysis

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Introduction

This section of Rowan University's (the University) financial statements presents our discussion and analysis of the University's financial performance during the fiscal years that ended on June 30, 2013 and 2012, and comparative amounts for the year ended June 30, 2011. Since this discussion and analysis is designed to focus on current activities, it should be read in conjunction with the University's basic financial statements, which follows this section. Management has prepared the financial statements and the related footnote disclosures, along with the discussion and analysis.

University Overview

Rowan University is a selective, medium-sized public university located in Glassboro, New Jersey. It is recognized for its nationally ranked academic and athletic programs, talented professors and high-tech facilities. The University prides itself on being able to provide its more than 13,400 students an outstanding education at an exceptional value.

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

Rowan has been recognized by national organizations that evaluate colleges and universities. *U.S. News & World Report* ranked Rowan 18th among Best Regional Universities – North, third among the public institutions in the category. The Princeton Review named Rowan in its "Best in the Northeast" section of its website feature "2014 Best Colleges: Region by Region" and included the Rohrer College of Business in its edition of the "Best 322 Business Schools" out of more than 1800 schools nationally.

The State of New Jersey (the State) recognizes the University as the state's second comprehensive research university and as a public institution of higher education. The New Jersey Legislature appropriates funds annually to support the University. However, the University operates autonomously from the State.

Financial Statements

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

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financial statements a fiscal snapshot of Rowan University. The Statement of Net Position presents end-of-the-year data concerning assets (current and noncurrent), deferred outflows of resources, liabilities (current and noncurrent), deferred inflows of resources, and net position.

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

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

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

A summary of the University's assets, liabilities, and net position as of June 30, 2013, 2012, and 2011 follows:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
		(In thousands)	
Current assets	\$ 174,871	177,922	148,945
Capital assets	574,712	558,987	478,254
Other noncurrent assets	21,133	33,850	104,208
Total assets	<u>\$ 770,716</u>	<u>770,759</u>	<u>731,407</u>
Current liabilities	\$ 56,455	53,145	50,752
Noncurrent liabilities	505,293	518,297	499,257
Total liabilities	<u>\$ 561,748</u>	<u>571,442</u>	<u>550,009</u>
Net position:			
Net investment in capital assets	\$ 76,895	68,557	67,025
Restricted expendable for:			
Renewal and replacement	—	—	650
Debt service	14,170	13,365	15,020
Debt service reserve	6,317	9,131	9,352
Medical School	6,711	15,600	15,609
Unrestricted	104,875	92,664	73,742
Total net position	<u>\$ 208,968</u>	<u>199,317</u>	<u>181,398</u>

Current assets consist of cash and cash equivalents, deposits held by bond trustees under bond agreements for current principal and interest payments, receivables, current portion of investments and other current assets.

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Noncurrent assets consist of deposits held by bond trustees under bond agreements for capital activities, investments, deferred financing costs, and net capital assets. Current liabilities consist of accounts payable and accrued expenses, unearned revenue and the current portion of bonds payable, other long-term debt and capital lease obligations. Noncurrent liabilities consist primarily of compensated absences, deposits held in custody for others, bonds payable, other long-term debt, and capital lease obligations.

Fiscal Year 2013 Compared to 2012

The University's total assets at June 30, 2013 showed a slight decrease from the prior year. Current assets decreased \$3.0 million from \$177.9 million at June 30, 2012 to \$174.9 million at June 30, 2013. This decrease is primarily a result of decreases in cash and cash equivalents of \$16.0 million, offset by an increase in receivables of \$12.2 million. The major component of the cash decrease was the movement of \$10.0 million into a new bond investment fund.

Capital assets increased \$15.7 million in the year ended June 30, 2013. The University had \$41.9 million in capital additions in fiscal year 2013 offset by \$26.2 million in depreciation. The University's capital additions during fiscal year 2013 included construction and renovation projects, deferred maintenance projects, and equipment and infrastructure projects related to the opening of the new Medical School (CMSRU) and the July 1, 2013 merger with the School of Osteopathic Medicine. Other noncurrent assets decreased \$12.7 million in the year ended June 30, 2013 which is primarily due to the reduction of \$21.7 million in deposits held by bond trustees offset by the increase in investments of \$9.3 million.

Total net position increased by \$9.7 million at June 30, 2013 compared to June 30, 2012. Unrestricted net position increased \$12.2 million. Several factors contributed to the increase, including but not limited to: an additional appropriation from the State; higher tuition and fee and room and board revenues; lower than projected salary expenditures due to vacant positions; utility savings and fiscal constraint regarding general expenses.

Fiscal Year 2012 Compared to 2011

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

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

Total net position increased by \$17.9 million at June 30, 2012 compared to June 30, 2011. Unrestricted net position increased \$18.9 million. Several factors contributed to the increase, including but not limited to: an additional appropriation from the State; higher tuition and fee and room and board revenues; lower than projected

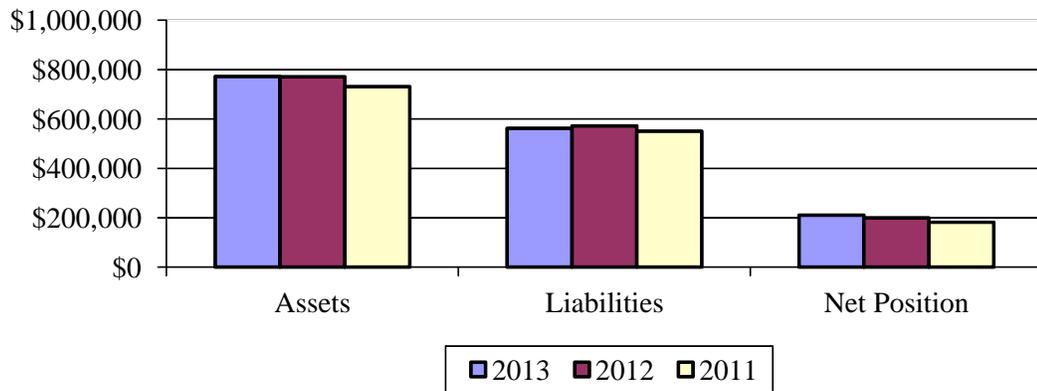
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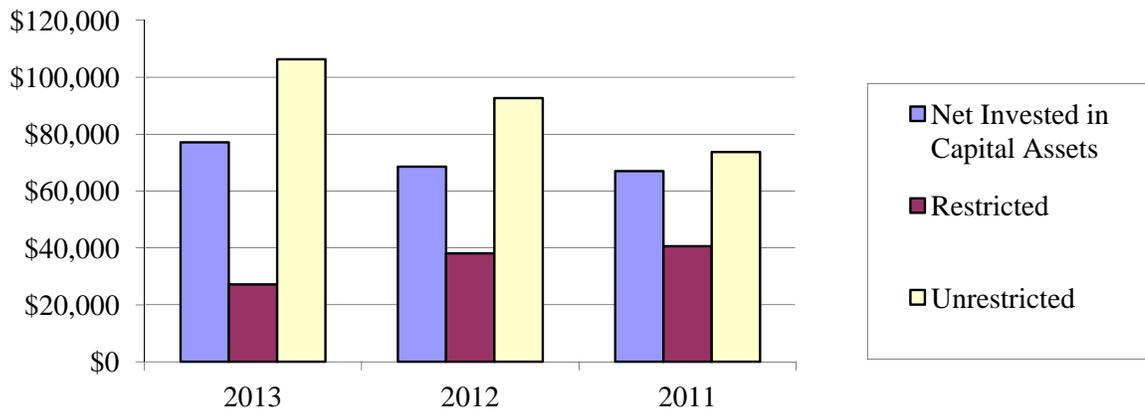
June 30, 2013 and 2012

salary expenditures due to vacant positions and the freezing of increases for AFT employees; utility savings and fiscal constraint regarding general expenses.

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



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



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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.

The Statement of Revenues, Expenses, and Changes in Net Position presents the University's results of operations. A summary of the University's revenues, expenses, and changes in net position for the years ended June 30, 2013, 2012, and 2011 follows:

	2013	2012	2011
		(In thousands)	
Operating revenues:			
Net student revenues	\$ 143,848	137,659	127,792
Grants	35,744	35,224	34,479
Other	10,966	9,746	7,359
Total operating revenues	190,558	182,629	169,630
Operating expenses	266,838	235,485	227,916
Operating loss	(76,280)	(52,856)	(58,286)
Nonoperating revenues (expenses):			
State appropriations	95,697	81,637	78,814
Gifts	8,279	6,661	8,169
Investment income	665	440	754
Interest on capital asset related debt	(27,329)	(27,923)	(21,266)
Other nonoperating revenues (expenses), net	2,304	1,287	(820)
Net nonoperating revenues	79,616	62,102	65,651
Income before other revenues	3,336	9,246	7,365
Capital grants	6,315	8,673	1,291
Increase in net position	9,651	17,919	8,656
Net position – beginning of year	199,317	181,398	172,742
Net position – end of year	\$ 208,968	199,317	181,398

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Fiscal Year 2013 Compared to 2012

The University's net position increased \$9.7 million in fiscal year 2013. This net amount represents the total revenue available to the University of \$303.8 million compared to total expenses of \$294.1 million. The increase in net position can predominately be attributed to the increase in unrestricted net position of \$12.2 million. Unrestricted net position increased due to an additional appropriation from the State, higher tuition and fee and auxiliary enterprises revenues, salary and utility savings and fiscal constraint regarding general expenses.

Fiscal Year 2012 Compared to 2011

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

Revenues

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

	2013		2012		2011	
	Amount	Percentage of total	Amount	Percentage of total	Amount	Percentage of total
	(Amounts in thousands)					
Operating revenues:						
Net student revenue	\$ 143,848	75.5%	\$ 137,659	75.4%	\$ 127,792	75.3%
Grants	35,744	18.8	35,224	19.3	34,479	20.3
Other	10,966	5.7	9,746	5.3	7,359	4.4
Total operating revenues	<u>\$ 190,558</u>	<u>100.0%</u>	<u>\$ 182,629</u>	<u>100.0%</u>	<u>\$ 169,630</u>	<u>100.0%</u>

Operating

Fiscal Year 2013 Compared to 2012

Operating revenues for fiscal year ended June 30, 2013 increased \$7.9 million over fiscal year 2012. The majority of this increase is due to the increase in net student revenue of \$6.2 million. Net student revenue increased due to higher tuition and fee and auxiliary enterprises revenues as a result of tuition and fee increases and increased enrollment. Also contributing to the total increase is a \$1.2 million increase in other operating revenues.

Fiscal Year 2012 Compared to 2011

Operating revenues for fiscal year ended June 30, 2012 increased \$13.0 million over fiscal year 2011. The majority of this increase is due to the increase in net student revenue of \$9.9 million. Net student revenue increased due to higher tuition and fee and auxiliary enterprises revenues as a result of tuition and fee increases

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and increased enrollment. Also contributing to the total increase is a \$2.2 million increase in other operating revenues resulting from an increase of \$2.0 million in Cooper Health System support for the Medical School.

Nonoperating Revenues (Net)

Fiscal Year 2013 Compared to 2012

Nonoperating revenues (net) for the years ended June 30, 2013 and 2012 totaled \$79.6 million and \$62.1 million, respectively, which is a \$17.5 million increase. The primary sources of nonoperating revenues were State of New Jersey appropriations, which increased \$14.1 million as Rowan recorded \$95.7 million for fiscal year 2013 and \$81.6 million for fiscal year 2012, as well as Gifts from the Rowan University Foundation in the amount of \$8.3 million, which increased \$1.6 million. State of New Jersey appropriations include the University base appropriation as well as appropriations for the medical school and the value of State paid fringe benefits. Interest payments on capital asset related debt decreased \$0.6 million from \$27.9 million at June 30, 2012 to \$27.3 million at June 30, 2013. Other nonoperating revenues (expenses), net were \$2.3 million and \$1.3 million, respectively for fiscal years 2013 and 2012.

Capital grants decreased in fiscal year 2013 by \$2.4 million due to a reduction in New Jersey Economic Development Authority grant revenue of \$2.3 million as well as a reduction of \$0.1 million in the University's interest subsidy on its Build America Bonds.

Fiscal Year 2012 Compared to 2011

Nonoperating revenues (net) for the years ended June 30, 2013 and 2012 totaled \$62.1 million and \$65.7 million, respectively, which is a \$3.6 million decrease. The primary sources of nonoperating revenues were State of New Jersey appropriations, which increased \$2.8 million as Rowan recorded \$81.6 million for fiscal year 2012 and \$78.8 million for fiscal year 2011, as well as Gifts from the Rowan University Foundation in the amount of \$6.7 million, which decreased \$1.5 million principally due to having received one-time gifts in the amount of \$0.8 million in fiscal year 2011. State of New Jersey appropriations include the University base appropriation as well as appropriations for the medical school and the value of State paid fringe benefits. Interest on capital asset related debt increased from \$21.3 million at June 30, 2011 to \$27.9 million at June 30, 2012 primarily due to Rowan entering into a new capital lease for student apartments and the impact of a full year of interest payments on the Medical School bonds. Other nonoperating revenues (expenses), net were \$1.3 million and (\$0.8) million, respectively for fiscal years 2012 and 2011. The increase is the result of an expense of \$1.0 million in fiscal year 2011 for the disposal of the Mansion Park apartments and a recovery of storm damage of \$0.9 million from FEMA in fiscal year 2012.

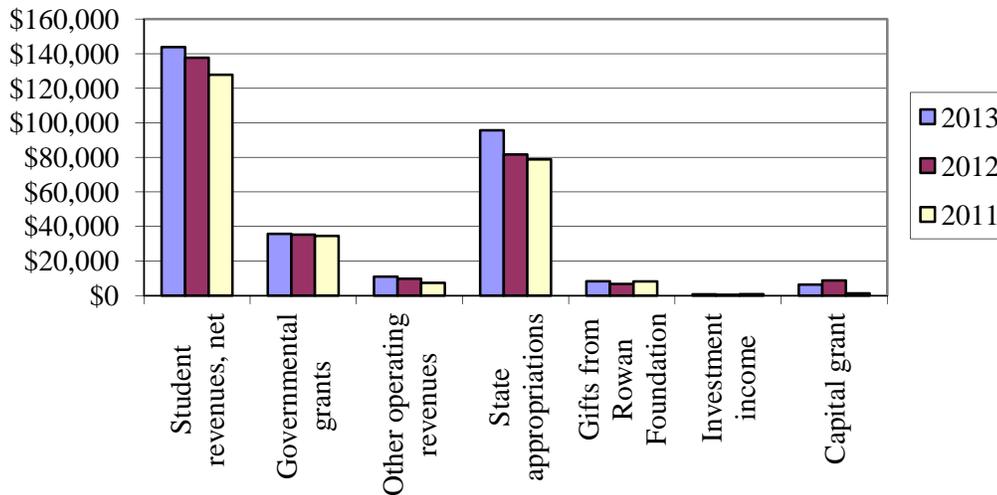
Capital grants increased in fiscal year 2012 by \$7.4 million due to the receipt of a full year of federal subsidies on the Medical School Build America Bonds as well as New Jersey Economic Development Authority grant revenue of \$6.3 million towards the construction of the medical school building.

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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, 2013, 2012, and 2011, the University incurred operating expenses totaling \$266.8 million, \$235.5 million, and \$227.9 million, respectively. The increase of \$31.3 million in operating expenses for fiscal year 2013 versus 2012 is a result of additional expenses attributed to: providing instruction and services for the increased number of students, Medical school expenses as the first class was admitted, higher salaries due to contractual agreements with unions and a large increase in the State fringe benefit rate. The increase of \$7.6 million in operating expenses for fiscal year 2012, in comparison to fiscal year 2011, is a result of additional expenses attributed to the Medical School operations as well as increases in salary expenses as a result of the state negotiated contract agreement.

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A summary of operating expenses for the years ended June 30, 2013, 2012, and 2011 follows:

	2013		2012		2011	
	Amount	Percentage of total	Amount	Percentage of total	Amount	Percentage of total
	(Amounts in thousands)					
Instruction	\$ 108,124	40.5%	\$ 94,841	40.3%	\$ 95,847	42.1%
Research	3,193	1.2	3,429	1.5	2,906	1.3
Public service	1,215	0.5	1,336	0.6	1,345	0.6
Academic support	23,899	9.0	19,171	8.1	18,929	8.3
Student services	20,440	7.7	18,202	7.7	17,355	7.6
Institutional support	37,053	13.9	27,326	11.6	25,685	11.3
Operation and maintenance of plant	22,372	8.4	22,069	9.4	21,260	9.3
Student aid	1,691	0.6	1,541	0.7	1,697	0.7
Auxiliary enterprises	22,311	8.4	20,854	8.9	18,017	7.9
Depreciation and amortization	26,540	9.8	26,716	11.2	24,875	10.9
Total operating expenses	\$ 266,838	100.0%	\$ 235,485	100.0%	\$ 227,916	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.

Total capital additions were \$41.9 million, \$107.1 million, and \$72.2 million, for the years ended June 30, 2013, 2012, and 2011, respectively. The major activities were the completion and equipping of the new medical school building, the completion of deferred maintenance projects and various major building renovations. In addition, capital additions increased in fiscal years 2012 and 2011 due to the University's capital lease agreements for student apartments and the bookstore. A summary of the University's capital additions for the years ended June 30, 2013, 2012, and 2011 is shown below:

Capital Additions

	2013	2012	2011
Land	\$ 55,900	15,167	2,615,221
Art collections	5,000	—	750,000
Construction in progress (net of transfers out)	(83,193,320)	62,802,464	17,475,009
Land improvements	4,693,763	331,432	3,112,200
Buildings (less disposals)	115,404,627	40,175,080	46,436,341
Equipment	4,929,502	3,741,254	1,852,029
Total additions	\$ 41,895,472	107,065,397	72,240,800

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As of June 30, 2013, 2012, and 2011, the University had \$76.9 million, \$68.6 million, and \$67.0 million, respectively in net investment in capital assets. Outstanding long-term debt as of June 30, 2013 is \$513.8 million, compared to \$529.5 million and \$510.3 million as of June 30, 2012 and June 30, 2011 respectively. A summary of the University's outstanding long-term debt for the years ended June 30, 2013, 2012, and 2011 is shown below:

Long-Term Debt			
	<u>2013</u>	<u>2012</u>	<u>2011</u>
Bonds payable	\$ 404,320,000	417,685,000	431,070,000
Capital lease obligations	110,178,145	112,141,812	79,170,299
Other long-term debt	5,788,982	6,288,970	6,803,146
	<u>520,287,127</u>	<u>536,115,782</u>	<u>517,043,445</u>
(Less) plus:			
Deferred loss on bond refinancing	(7,669,944)	(8,088,821)	(8,507,697)
Bond premium	1,148,045	1,478,607	1,809,953
	<u>\$ 513,765,228</u>	<u>529,505,568</u>	<u>510,345,701</u>

Economic Outlook

State of New Jersey appropriations remain a vital source of funding for the University and the current budgetary issues with the State may have a negative impact on future funding. Although the University's unrestricted general operations appropriation from the State of New Jersey increased from fiscal year 2012 to fiscal year 2013 the University continues to experience uncertainty in its future level of state support. With increasing costs, particularly resulting from contractual obligations with faculty and staff and debt service, the University faces critical funding issues. Additionally, the University's desire to increase institutionally funded scholarships, continue building its academic program excellence and improve its capital assets will also impact on the University's financial outlook. The University will continue to meet the goals of its mission by monitoring operating costs and seeking additional revenue sources. The University will continue to monitor the situation and maintain a close watch over resources so as to provide the University with the ability to react to potential budgetary challenges that may occur.

On July 1, 2013 the "New Jersey Medical and Health Sciences Education Restructuring Act" became effective and the School of Osteopathic Medicine (SOM) in Stratford, NJ (formerly under The University of Medicine and Dentistry of New Jersey) was integrated with Rowan University (Rowan). As a result of this integration, Rowan will receive an additional State appropriation to help support SOM operations and was designated as a public research institution.

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, 2013

Assets	Rowan University	Rowan University Foundation	South Jersey Technology Park at Rowan University	Total
Current assets:				
Cash and cash equivalents (notes 2 and 11)	\$ 117,840,352	2,179,686	1,285,877	121,305,915
Restricted cash and cash equivalents (notes 2 and 11)	6,711,692	755,361	—	7,467,053
Receivables:				
Students, less allowance of \$1,286,000	2,241,625	—	—	2,241,625
Restricted contributions, net	—	1,293,889	—	1,293,889
Grants	18,606,872	—	—	18,606,872
State of New Jersey	1,770,667	—	—	1,770,667
Interest and other	625,666	—	26,800	652,466
Total receivables	<u>23,244,830</u>	<u>1,293,889</u>	<u>26,800</u>	<u>24,565,519</u>
Restricted deposits held by bond trustees (note 3)	24,883,696	—	—	24,883,696
Investments, at fair value (notes 2 and 11)	392,987	—	—	392,987
Other current assets	1,798,192	—	—	1,798,192
Total current assets	<u>174,871,749</u>	<u>4,228,936</u>	<u>1,312,677</u>	<u>180,413,362</u>
Noncurrent assets:				
Restricted deposits held by bond trustees (note 3)	6,597,522	—	—	6,597,522
Investments, at fair value (notes 2 and 11)	10,588,914	33,248,178	—	43,837,092
Restricted investments, at fair value (note 11)	—	12,344,765	—	12,344,765
Restricted nonexpendable investments, at fair value (note 11)	—	111,016,668	—	111,016,668
Restricted contributions receivable, net	—	5,897,012	—	5,897,012
Bond financing costs, net of accumulated amortization	3,945,921	—	154,346	4,100,267
Capital assets, net (note 4)	<u>574,712,023</u>	<u>—</u>	<u>11,601,591</u>	<u>586,313,614</u>
Total noncurrent assets	<u>595,844,380</u>	<u>162,506,623</u>	<u>11,755,937</u>	<u>770,106,940</u>
Total assets	<u>770,716,129</u>	<u>166,735,559</u>	<u>13,068,614</u>	<u>950,520,302</u>
Liabilities				
Current liabilities:				
Accounts payable and accrued expenses (note 7)	33,616,710	105,162	48,562	33,770,434
Unearned revenue	9,919,367	357,641	—	10,277,008
Annuities payable – current portion	—	87,721	—	87,721
Long-term debt – current portion (notes 8 and 9)	<u>12,918,960</u>	<u>—</u>	<u>171,697</u>	<u>13,090,657</u>
Total current liabilities	<u>56,455,037</u>	<u>550,524</u>	<u>220,259</u>	<u>57,225,820</u>
Noncurrent liabilities (note 9):				
Student housing deposits	471,850	—	—	471,850
Compensated absences – noncurrent portion (notes 9 and 10)	2,484,483	—	—	2,484,483
Other liabilities	274,653	—	—	274,653
Deposits held in custody for others	1,215,359	1,297,169	—	2,512,528
Annuities payable – noncurrent portion	—	435,180	—	435,180
Long-term debt – noncurrent portion (notes 8 and 9)	<u>500,846,268</u>	<u>—</u>	<u>5,508,778</u>	<u>506,355,046</u>
Total noncurrent liabilities	<u>505,292,613</u>	<u>1,732,349</u>	<u>5,508,778</u>	<u>512,533,740</u>
Total liabilities	<u>561,747,650</u>	<u>2,282,873</u>	<u>5,729,037</u>	<u>569,759,560</u>
Net Position				
Net investment in capital assets	76,894,987	—	5,921,116	82,816,103
Restricted:				
Nonexpendable (note 11)	—	111,016,668	—	111,016,668
Expendable:				
Debt service	14,170,000	—	—	14,170,000
Debt service reserve	6,316,854	—	—	6,316,854
Medical School	6,711,692	—	—	6,711,692
Inductotherm Scholarships	—	1,862,820	—	1,862,820
Other scholarships	—	6,922,911	—	6,922,911
College of Business	—	4,431,626	—	4,431,626
Other	—	6,193,129	—	6,193,129
Unrestricted (note 10)	<u>104,874,946</u>	<u>34,025,532</u>	<u>1,418,461</u>	<u>140,318,939</u>
Total net position	<u>\$ 208,968,479</u>	<u>164,452,686</u>	<u>7,339,577</u>	<u>380,760,742</u>

See accompanying notes to financial statements.

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

Assets	Rowan University	Rowan University Foundation	South Jersey Technology Park at Rowan University	Total
Current assets:				
Cash and cash equivalents (notes 2 and 11)	\$ 124,966,451	2,778,704	1,195,317	128,940,472
Restricted cash and cash equivalents (notes 2 and 11)	15,600,000	1,050,372	—	16,650,372
Receivables:				
Students, less allowance of \$1,064,000	2,090,781	—	—	2,090,781
Restricted contributions, net	—	753,771	—	753,771
Grants	7,165,018	—	—	7,165,018
State of New Jersey	1,666,444	—	—	1,666,444
Interest and other	167,128	88,228	28,092	283,448
Total receivables	11,089,371	841,999	28,092	11,959,462
Restricted deposits held by bond trustees (note 3)	25,087,423	—	—	25,087,423
Other current assets	1,178,511	1,400	—	1,179,911
Total current assets	177,921,756	4,672,475	1,223,409	183,817,640
Noncurrent assets:				
Restricted deposits held by bond trustees (note 3)	28,330,852	—	—	28,330,852
Investments, at fair value (notes 2 and 11)	1,292,294	21,969,473	—	23,261,767
Restricted investments, at fair value (note 11)	—	8,687,057	—	8,687,057
Restricted nonexpendable investments, at fair value (note 11)	—	110,285,093	—	110,285,093
Restricted contributions receivable, net	—	4,728,768	—	4,728,768
Bond financing costs, net of accumulated amortization	4,226,672	—	161,268	4,387,940
Capital assets, net (note 4)	558,987,025	—	11,969,027	570,956,052
Total noncurrent assets	592,836,843	145,670,391	12,130,295	750,637,529
Total assets	770,758,599	150,342,866	13,353,704	934,455,169
Liabilities				
Current liabilities:				
Accounts payable and accrued expenses (note 7)	27,850,022	72,365	35,226	27,957,613
Unearned revenue	9,457,025	117,464	—	9,574,489
Annuities payable – current portion	—	71,783	—	71,783
Long-term debt – current portion (notes 8 and 9)	15,837,979	—	165,809	16,003,788
Total current liabilities	53,145,026	261,612	201,035	53,607,673
Noncurrent liabilities (note 9):				
Student housing deposits	402,570	—	—	402,570
Compensated absences – noncurrent portion (notes 9 and 10)	2,524,127	—	—	2,524,127
Other liabilities	255,739	—	—	255,739
Deposits held in custody for others	1,446,987	1,227,161	—	2,674,148
Annuities payable – noncurrent portion	—	424,962	—	424,962
Long-term debt – noncurrent portion (notes 8 and 9)	513,667,589	—	5,680,333	519,347,922
Total noncurrent liabilities	518,297,012	1,652,123	5,680,333	525,629,468
Total liabilities	571,442,038	1,913,735	5,881,368	579,237,141
Net Position				
Net investment in capital assets	68,556,785	—	6,122,885	74,679,670
Restricted:				
Nonexpendable (note 11)	—	110,285,093	—	110,285,093
Expendable:				
Debt service	13,365,000	—	—	13,365,000
Debt service reserve	9,131,225	—	—	9,131,225
Medical School	15,600,000	—	—	15,600,000
Inductotherm Scholarships	—	1,825,534	—	1,825,534
Other scholarships	—	3,157,824	—	3,157,824
College of Business	—	4,695,000	—	4,695,000
Other	—	4,927,401	—	4,927,401
Unrestricted (note 10)	92,663,551	23,538,279	1,349,451	117,551,281
Total net position	\$ 199,316,561	148,429,131	7,472,336	355,218,028

See accompanying notes to financial statements.

ROWAN UNIVERSITY
(A Component Unit of the State of New Jersey)
Statement of Revenues, Expenses, and Changes in Net Position
Year ended June 30, 2013

	<u>Rowan University</u>	<u>Rowan University Foundation</u>	<u>South Jersey Technology Park at Rowan University</u>	<u>Total</u>
Operating revenues:				
Net student revenues:				
Tuition and fees	\$ 140,314,193	—	—	140,314,193
Auxiliary enterprises	40,530,770	—	—	40,530,770
Less scholarship allowances	(36,997,166)	—	—	(36,997,166)
Net student revenues	143,847,797	—	—	143,847,797
Grants	35,743,649	—	—	35,743,649
Self-funded programs	3,245,936	—	—	3,245,936
Fundraising events	—	77,342	—	77,342
Contributions	—	4,948,345	—	4,948,345
Rental income (note 12)	—	—	930,488	930,488
Other operating revenues	7,720,660	—	—	7,720,660
Total operating revenues	190,558,042	5,025,687	930,488	196,514,217
Operating expenses:				
Instruction	108,124,399	—	—	108,124,399
Research	3,193,153	—	—	3,193,153
Public service	1,214,966	—	—	1,214,966
Academic support	23,898,629	—	—	23,898,629
Student services	20,439,821	—	—	20,439,821
Institutional support	37,053,291	408,275	361,267	37,822,833
Operation and maintenance of plant	22,371,523	—	128,953	22,500,476
Student aid	1,690,762	—	—	1,690,762
Auxiliary enterprises	22,311,425	—	—	22,311,425
Depreciation and amortization	26,539,540	—	374,357	26,913,897
Total operating expenses	266,837,509	408,275	864,577	268,110,361
Operating (loss) income	(76,279,467)	4,617,412	65,911	(71,596,144)
Nonoperating revenues (expenses):				
State of New Jersey appropriations	30,716,000	—	—	30,716,000
State of New Jersey appropriations – Medical School	24,097,000	—	—	24,097,000
State of New Jersey fringe benefits (note 5)	40,884,109	—	—	40,884,109
Student scholarships	—	(1,385,588)	—	(1,385,588)
Gifts from Rowan University Foundation (note 11)	8,278,914	(8,278,914)	—	—
Other grants	—	(4,330)	—	(4,330)
Investment income (loss)	664,821	20,521,050	2,858	21,188,729
Investment expenses	—	(107,695)	—	(107,695)
Interest on capital asset related debt	(27,329,081)	—	(201,528)	(27,530,609)
Other nonoperating revenues (expenses), net	2,303,859	(69,955)	—	2,233,904
Net nonoperating revenues (expenses)	79,615,622	10,674,568	(198,670)	90,091,520
Income (loss) before other revenues	3,336,155	15,291,980	(132,759)	18,495,376
Capital grants	6,315,763	—	—	6,315,763
Additions to permanent endowments	—	731,575	—	731,575
Increase (decrease) in net position	9,651,918	16,023,555	(132,759)	25,542,714
Net position as of beginning of year	199,316,561	148,429,131	7,472,336	355,218,028
Net position as of end of year	\$ 208,968,479	164,452,686	7,339,577	380,760,742

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, 2012

	<u>Rowan University</u>	<u>Rowan University Foundation</u>	<u>South Jersey Technology Park at Rowan University</u>	<u>Total</u>
Operating revenues:				
Net student revenues:				
Tuition and fees	\$ 131,500,760	—	—	131,500,760
Auxiliary enterprises	40,669,713	—	—	40,669,713
Less scholarship allowances	(34,511,427)	—	—	(34,511,427)
Net student revenues	137,659,046	—	—	137,659,046
Grants	35,223,700	—	—	35,223,700
Self-funded programs	3,185,551	—	—	3,185,551
Fundraising events	—	104,533	—	104,533
Contributions	—	2,971,614	—	2,971,614
Rental income (note 12)	—	—	862,197	862,197
Other operating revenues	6,560,321	—	2,640	6,562,961
Total operating revenues	182,628,618	3,076,147	864,837	186,569,602
Operating expenses:				
Instruction	94,840,747	—	—	94,840,747
Research	3,428,582	—	—	3,428,582
Public service	1,336,311	—	—	1,336,311
Academic support	19,170,866	—	—	19,170,866
Student services	18,201,691	—	—	18,201,691
Institutional support	27,326,407	174,308	260,709	27,761,424
Operation and maintenance of plant	22,069,675	—	121,737	22,191,412
Student aid	1,541,023	—	—	1,541,023
Auxiliary enterprises	20,853,853	—	—	20,853,853
Depreciation and amortization	26,716,112	—	374,357	27,090,469
Total operating expenses	235,485,267	174,308	756,803	236,416,378
Operating (loss) income	(52,856,649)	2,901,839	108,034	(49,846,776)
Nonoperating revenues (expenses):				
State of New Jersey appropriations	30,716,000	—	—	30,716,000
State of New Jersey appropriations – Medical School	18,407,000	—	—	18,407,000
State of New Jersey fringe benefits (note 5)	32,514,228	—	—	32,514,228
Student scholarships	—	(1,227,417)	—	(1,227,417)
Gifts from Rowan University Foundation (note 11)	6,660,716	(6,660,716)	—	—
Other grants	—	(12,537)	—	(12,537)
Investment income (loss)	439,617	(1,160,612)	3,459	(717,536)
Investment expenses	—	(17,391)	—	(17,391)
Interest on capital asset related debt	(27,922,882)	—	(207,698)	(28,130,580)
Other nonoperating revenues (expenses), net	1,287,166	(56,095)	—	1,231,071
Net nonoperating revenues (expenses)	62,101,845	(9,134,768)	(204,239)	52,762,838
Income (loss) before other revenues	9,245,196	(6,232,929)	(96,205)	2,916,062
Capital grants	8,673,384	—	—	8,673,384
Additions to permanent endowments	—	725,721	—	725,721
Increase (decrease) in net position	17,918,580	(5,507,208)	(96,205)	12,315,167
Net position as of beginning of year	181,397,981	153,936,339	7,568,541	342,902,861
Net position as of end of year	\$ 199,316,561	148,429,131	7,472,336	355,218,028

See accompanying notes to financial statements.

ROWAN UNIVERSITY
(A Component Unit of the State of New Jersey)
Statements of Cash Flows
(Business-Type Activities – Rowan University only)
Years ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Student revenues	\$ 143,474,953	137,255,856
Government grants	25,640,443	33,560,931
Payments to suppliers	(68,743,413)	(57,465,064)
Payments for employee salaries and benefits	(126,200,315)	(118,382,339)
Self-funded programs and other receipts	10,510,740	9,812,159
Net cash (used) provided by operating activities	<u>(15,317,592)</u>	<u>4,781,543</u>
Cash flows from noncapital financing activities:		
State of New Jersey appropriations	54,813,000	49,123,000
Gifts	7,769,114	6,660,716
Net cash provided by noncapital financing activities	<u>62,582,114</u>	<u>55,783,716</u>
Cash flows from capital and related financing activities:		
Drawdown of deposits held by bond trustees	8,237,590	7,497,860
Proceeds from capital lease refinancing	—	8,150,000
Capital grants	7,446,117	6,194,382
Purchases of capital assets	(26,192,272)	(15,812,385)
Principal paid on capital debt	(15,828,655)	(14,827,662)
Interest paid on capital debt	(27,596,495)	(27,889,974)
Net cash used by capital and related financing activities	<u>(53,933,715)</u>	<u>(36,687,779)</u>
Cash flows from investing activities:		
Purchases of investments	(10,000,000)	—
Interest on investments	654,786	497,559
Net cash (used) provided by investing activities	<u>(9,345,214)</u>	<u>497,559</u>
Net (decrease) increase in cash and cash equivalents	<u>(16,014,407)</u>	<u>24,375,039</u>
Cash and cash equivalents as of beginning of the year	<u>140,566,451</u>	<u>116,191,412</u>
Cash and cash equivalents as of end of the year	<u>\$ 124,552,044</u>	<u>140,566,451</u>
Reconciliation of operating loss to net cash (used) provided by operating activities:		
Operating loss	\$ (76,279,467)	(52,856,649)
Adjustments to reconcile operating loss to net cash (used) provided by operating activities:		
State paid fringe benefits	40,884,109	32,514,228
Depreciation and amortization expense	26,539,540	26,716,112
Changes in assets and liabilities:		
Receivables	(12,155,459)	(4,060,811)
Other current assets	(619,681)	360,562
Accounts payable and accrued expenses	5,994,458	(227,428)
Unearned revenue	462,342	2,144,281
Student housing deposits	69,280	(34,330)
Other liabilities	18,914	37,133
Deposits held in custody for others	(231,628)	188,445
Net cash (used) provided by operating activities	<u>\$ (15,317,592)</u>	<u>4,781,543</u>
Noncash transaction:		
Noncash gifts	\$ 509,800	—
Unrealized loss on investments	(7,352)	(27,963)
Capital assets acquired through capital lease obligation	—	33,900,000
State paid fringe benefits	40,884,109	32,514,228
Construction fund direct vendor payments	11,757,027	61,239,652

See accompanying notes to financial statements.

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

Notes to Financial Statements

June 30, 2013 and 2012

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

(a) **Organization**

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

The University is recognized as a public institution by the State of New Jersey (the State). Under the law, the University is an instrumentality of the State of New Jersey with a high degree of autonomy. However, the University is considered a component unit of the State of New Jersey for financial reporting purposes. Accordingly, the financial statements of the University are included in the State's Comprehensive Annual Financial Report.

(b) **Summary of Significant Accounting Policies**

Basis of Presentation

The accounting policies of the University conform to accounting principles generally accepted in the United States of America as applicable to public colleges and universities. The University reports are based on all applicable GASB pronouncements.

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

- *Net investment in capital assets:* Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.
- **Restricted:**
 - Nonexpendable* – Net position subject to externally imposed stipulations that must be maintained permanently by the University.
 - Expendable* – Net position whose use by the University is subject to externally imposed stipulations that can be fulfilled by actions of the University pursuant to the stipulations or that expire by the passage of time.
- *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.

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

Notes to Financial Statements

June 30, 2013 and 2012

Measurement Focus and Basis of Accounting

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

Cash and Cash Equivalents

The University classifies as cash equivalents, funds that are in short-term, highly liquid investments, and are readily convertible to known amounts of cash with a portfolio maturity of three months or less.

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

Investments

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

Capital Assets

Capital assets include land, land improvements, buildings, and equipment. Such assets are recorded at historical cost. Land, land improvements and building improvements costing over \$5,000, as well as equipment with a unit cost over \$5,000 are capitalized. Donated capital assets, including artwork, are recorded at the estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add value to the asset are not capitalized. Major outlays for capital assets are capitalized as projects are constructed. Artwork is considered inexhaustible and is not depreciated. Capital assets are depreciated using the straight-line method over the following useful lives:

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

Bond Financing Costs

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

Deposits Held in Custody for Others

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

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

Notes to Financial Statements

June 30, 2013 and 2012

Financial Dependency

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

Student Tuition and Fees

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

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 statements of net position.

Classification of Revenue

The University's policy for defining operating activities in the statements of revenues, expenses, and changes in net position are those that serve the University's principal purpose and generally result from exchange transactions such as the payment received for services and payment made for the purchase of goods and services. Examples include (1) student tuition and fees, net of scholarship allowances, and (2) most Federal, State, and private grants and contracts. Nonoperating revenues include activities that have the characteristics of nonexchange transactions or do not result from the receipt or provision of goods and services, such as operating appropriations from the state, private gifts, and investment income. Interest expense is reported as a nonoperating expense.

New Accounting Standards Adopted

In fiscal year 2013, the University adopted new accounting standards as follows:

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus* (GASB 61), modifies the existing requirements for the assessment of component units that should be included in the financial statements of the University. Implementation of GASB 61 had no effect on the University's net position or changes in net position for the years ended June 30, 2013 and 2012.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* (GASB 62), incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance included in FASB pronouncements, which does not conflict with or contradict GASB pronouncements, and eliminates the criteria to apply post-November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements. Implementation of GASB 62 had no effect on the University's net position or changes in net position for the years ended June 30, 2013 and 2012.

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

Notes to Financial Statements

June 30, 2013 and 2012

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position (GASB 63)*, establishes a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position (which is the net residual amount of the other elements). The Statement requires deferred outflows of resources and deferred inflows of resources to be reported separately from assets and liabilities. The financial reporting impact and effect of adoption resulting from the implementation of GASB 63 in the University's financial statements was to rename all references of "Net Assets" to "Net Position", including changing the name of the financial statement from "Statement of Net Assets" to "Statement of Net Position".

Use of Estimates

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

Tax Status

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

Reclassification

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

(2) Cash, Cash Equivalents, and Investments

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

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

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

Notes to Financial Statements

June 30, 2013 and 2012

Cash, cash equivalents, and investments are carried in the financial statements at fair value and consist of the following as of June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Cash	\$ 24,961,320	18,117,644
State of New Jersey Cash Management Fund	5,610,695	5,607,208
Money market accounts	<u>93,980,029</u>	<u>116,841,599</u>
Total cash and cash equivalents	<u>\$ 124,552,044</u>	<u>140,566,451</u>
Investments:		
U.S. Treasury bond	\$ 648,714	701,141
Equity securities	107,936	81,270
TDAM bond portfolio	9,625,267	—
TIAA-CREF mutual fund	<u>599,984</u>	<u>509,883</u>
Total investments	<u>\$ 10,981,901</u>	<u>1,292,294</u>

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

Custodial credit risk is the risk that in the event of a bank failure, the University's deposits may not be returned to it. Cash and money market accounts were held at a depository and bank balances amounted to \$117,937,908 and \$134,898,751, as of June 30, 2013 and 2012 respectively. Of these amounts, \$250,000 was FDIC insured and the excess is collateralized pursuant to New Jersey Statute 52:18-16-1.

The University participates in the State of New Jersey Cash Management Fund (NJCMF) wherein amounts also contributed by other State entities are combined in a large-scale investment program. The University deposits in the NJCMF were \$5,610,695 and \$5,607,208 and June 30, 2013 and 2012 respectively. These amounts are collateralized in accordance with Chapter 64 of Title 18A of New Jersey Statutes, but not in the University's name.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The credit risk of a debt instrument is measured by nationally recognized statistical rating agencies such as Moody's Investors Service, Inc. (Moody's). The University's investment policy requires that U.S. Agency bonds are rated Aaa/AAA by Moody's and the corporate bonds are rated Baa. The University's investment in the State of New Jersey Cash Management Fund is unrated with a portfolio of maturity of less than one year.

The TDAM 1-3 year bond portfolio invests in a mix of government and credit fixed income securities. Government securities include obligations of the U.S. Treasury and of mortgage agencies (FNMA, FHLMC). Credit securities include obligations of corporations rated A or better by Moody's or Standard & Poors and may include foreign government debt. Individual credit securities are held at 5% or less of the portfolio balance. Treasury, agency, and credit exposure are 55%, 10%, and 35% of the portfolio, respectively. Portfolio duration is 1.6 years. Average credit quality is AA+. The portfolio benchmarks the

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Merrill Lynch 1-3 Year Government/Credit Index. The manager seeks to add value by investing in improving credits, managing government/credit exposure, and rotating between sectors. See table below for the ratings of the U.S. Treasury Bond and the fixed income securities held in the TDAM bond portfolio. See table in note 3 for ratings of deposits held by bond trustees.

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

The following tables summarize the maturities and agency ratings of the fixed income securities included in the University's investments as of June 30, 2013 and 2012:

<u>2013</u>	<u>Rating</u>	<u>Fair value</u>	<u>Less than 1 year</u>	<u>1 – 5 years</u>	<u>6 – 10 years</u>
Government and Agencies	AA2	\$ 493,427	—	493,427	—
	AAA	840,009	—	840,009	—
U.S. Treasury Notes	AAA	6,088,847	—	5,440,133	648,714
Corporate	A1	377,315	—	377,315	—
	A2	694,102	—	694,102	—
	A3	792,525	—	792,525	—
	AA2	300,516	—	300,516	—
	AA3	294,253	—	294,253	—
	AA-	392,987	392,987	—	—
		<u>\$ 10,273,981</u>	<u>392,987</u>	<u>9,232,280</u>	<u>648,714</u>
<u>2012</u>	<u>Rating</u>	<u>Fair value</u>	<u>Less than 1 year</u>	<u>1 – 5 years</u>	<u>6 – 10 years</u>
U.S. Treasury Notes	AAA	\$ 701,141	—	—	701,141
		<u>\$ 701,141</u>	<u>—</u>	<u>—</u>	<u>701,141</u>

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(3) Restricted Deposits Held by Bond Trustees

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

	2013	2012
Construction funds	\$ 4,123,938	23,033,823
Debt service reserve funds	2,473,584	5,297,029
Debt service funds	24,883,696	25,087,423
	31,481,218	53,418,275
Less current portion	24,883,696	25,087,423
Noncurrent deposits held by bond trustees	\$ 6,597,522	28,330,852

Deposits held by bond trustees were \$31,481,218 and \$53,418,275 as of June 30, 2013 and 2012, respectively. Of these amounts, \$2,472,223 and \$2,227,546 as of June 30, 2013 and 2012, respectively, were invested in fixed income holdings, with the remainder in unrated money market investments.

The following tables summarize the maturities and agency ratings of the fixed income securities included in the University's deposits held by bond trustees as of June 30, 2013 and 2012:

2013	Rating	Fair value	Less than 1 year	1 – 5 years
G.E. Capital commercial paper	AAA	\$ 2,472,223	2,472,223	—
		\$ 2,472,223	2,472,223	—
2012	Rating	Fair value	Less than 1 year	1–5 years
U.S. Treasury bills and notes	AAA	\$ 2,227,546	2,227,546	—
		\$ 2,227,546	2,227,546	—

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(4) Capital Assets

The detail of capital assets activity for the years ended June 30, 2013 and 2012 follows:

<u>2013</u>	<u>Beginning balance</u>	<u>Additions</u>	<u>Deletions/ transfers</u>	<u>Ending balance</u>
Nondepreciable assets:				
Land	\$ 44,888,683	55,900	—	44,944,583
Artwork	750,000	5,000	—	755,000
Construction in progress	<u>111,937,115</u>	<u>36,950,970</u>	<u>(120,144,290)</u>	<u>28,743,795</u>
Total nondepreciable assets	<u>157,575,798</u>	<u>37,011,870</u>	<u>(120,144,290)</u>	<u>74,443,378</u>
Depreciable assets:				
Land improvements	34,412,317	4,693,763	—	39,106,080
Buildings	542,480,784	115,404,627	—	657,885,411
Equipment	<u>31,788,913</u>	<u>4,929,502</u>	<u>—</u>	<u>36,718,415</u>
Total depreciable assets	<u>608,682,014</u>	<u>125,027,892</u>	<u>—</u>	<u>733,709,906</u>
Less accumulated depreciation:				
Land improvements	13,303,969	1,707,023	—	15,010,992
Buildings	173,878,999	21,650,547	—	195,529,546
Equipment	<u>20,087,819</u>	<u>2,812,904</u>	<u>—</u>	<u>22,900,723</u>
Total accumulated depreciation	<u>207,270,787</u>	<u>26,170,474</u>	<u>—</u>	<u>233,441,261</u>
Total capital assets, net	<u>\$ 558,987,025</u>	<u>135,869,288</u>	<u>(120,144,290)</u>	<u>574,712,023</u>

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

Depreciation expense for the years ended June 30, 2013 and 2012 was \$26,170,474 and \$26,332,294, respectively. During 2013 and 2012, the University has capitalized interest expense, net of related interest income of \$0 and \$2,643,165, respectively, in construction in progress in the accompanying statements of net position. The estimated cost to complete capital projects included in construction in progress as of June 30, 2013 approximates \$19,500,000. Financing for these projects is approximately \$4,200,000 in grant funds and \$15,300,000 in University funds.

(5) State of New Jersey Fringe Benefits

The State of New Jersey, through separate appropriations, pays certain fringe benefits, principally pension costs, health benefits, and FICA taxes, on behalf of University employees and retirees. The costs of these benefits, \$40,884,109 and \$32,514,228, respectively, for fiscal years 2013 and 2012, were paid directly by the State of New Jersey on behalf of the University and are included in the accompanying financial statements as State of New Jersey fringe benefits revenue and as expenses.

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(6) Retirement Plans

(a) Plan Descriptions

The University participates in several retirement plans covering its employees – Public Employees’ Retirement System (PERS), the Alternate Benefit Program (ABP), the Teachers’ Pension and Annuity Fund (TPAF), the Police and Fireman’s Retirement System (PFRS) and the Defined Contribution Retirement Program (DCRP). Generally all employees, except certain part-time employees, participate in one of these plans. Under these plans, participants make annual contributions, and the State, in accordance with State statutes, makes employer contributions on behalf of the University for these plans with the exception of the DCRP. Employer contributions to DCRP are paid by the University and are reflected in the accompanying financial statements as expenses. The University is charged for pension costs through a fringe benefit charge assessed by the State which is included with the State of New Jersey fringe benefits in the accompanying financial statements.

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

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

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

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

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

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

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(b) PERS Funding Policies

PERS members contribute at a uniform rate. The full normal employee contribution rate became 6.64% of annual compensation, effective July 1, 2012. Employers are required to contribute at an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances, cost-of-living adjustments, and noncontributory death benefits. The State of New Jersey contributes to PERS on behalf of the University. The contribution requirements of the plan members and the University are established and may be amended by the State of New Jersey.

(c) Alternate Benefit Program (ABP) Information

ABP provides the choice of six investment carriers. The University assumes no liability for ABP members other than payment of contributions. ABP provides retirement and death benefits for or on behalf of those full-time professional employees and faculty members electing to participate in this optional retirement program. Participation eligibility as well as contributory and noncontributory requirements are established by the State of New Jersey Retirement and Social Security Law.

Benefits are determined by the amount of individual accumulations and the retirement income option selected. All benefits vest after the completion of one year of service. Individually owned annuity contracts that provide for full ownership of retirement and survivor benefits are purchased at the time of vesting. Participating University employees contribute 5% of salary and may contribute a voluntary additional contribution up to the maximum Federal statutory limit, on a pre-tax basis. Employer contributions are 8%. During the years ended June 30, 2013 and 2012, ABP investment carriers received employer and employee contributions as follows:

	2013	2012
Employer contributions	\$ 5,212,992	4,862,155
Employee contributions	7,502,252	7,047,226
Basis for contributions:		
Participating employee salaries	\$ 65,162,403	60,776,935

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

(d) Defined Contribution Retirement Program (DCRP)

DCRP has one investment carrier, Prudential, which jointly administers the DCRP investments with the Division of Pensions and Benefits. The University assumes no liability for DCRP members other than payment of contributions. Benefits are determined by the amount of individual accumulations and the retirement option selected. All benefits vest immediately for employees who are enrolled in PERS or after one year for employees not in PERS. Individually owned annuity contracts that provide for full ownership of retirement and survivor benefits are purchased at the time of vesting.

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Participating University employees contribute 5.5% of their eligible wages. Employer contributions are 3%. During the years ended June 30, 2013 and 2012, Prudential received employer and employee contributions as follows:

	<u>2013</u>	<u>2012</u>
Employer contributions	\$ 4,170	4,987
Employee contributions	7,645	9,144
Basis for contributions:		
Participating employee salaries	\$ 138,999	166,248

(e) Post Employment Benefits Other than Pensions

The State of New Jersey is legally responsible for contributions to the other postemployment benefits plan that covers the employees of the University. The employees of the University are employees of the State of New Jersey, therefore the other postemployment benefit plans liability is reported by the State of New Jersey.

(7) Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of the following as of June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Vendors and other	\$ 13,540,064	8,487,114
Salaries and benefits	6,233,100	5,623,853
Due to State of New Jersey	198,256	147,298
Compensated absences – current portion	3,349,532	3,028,585
Accrued interest payable	10,295,758	10,563,172
Total accounts payable and accrued expenses	<u>\$ 33,616,710</u>	<u>27,850,022</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) and the Camden County Improvement Authority (CCIA). The following obligations to the Authority were outstanding as of June 30, 2013 and 2012:

	<u>Interest rate</u>	<u>2013</u>	<u>2012</u>
Series 1983 D Revenue Bonds, due serially to 2013	3.0%	\$ 180,000	355,000
Series 2002 K Revenue Bonds, due serially to 2012	4.0%	—	340,000
Series 2003 I Revenue Bonds, due serially to 2013	3.0% – 5.0%	1,955,000	3,815,000
Series 2004 C Revenue Bonds, due serially to 2014	4.0% – 5.0%	4,525,000	6,655,000
Series 2005 D Revenue Refunding Bonds, due serially to 2030	3.25% – 5.25%	47,525,000	49,280,000
Series 2006 G Revenue Bonds, due serially to 2031	4.0% – 4.5%	63,585,000	65,090,000
Series 2007 B Revenue Refunding Bonds, due serially to 2034	3.0% – 5.5%	117,340,000	118,650,000
Series 2008 B Revenue Refunding Bonds, due serially to 2027	4.0% – 5.0%	35,205,000	35,205,000
Series 2010 A Build America Bonds, due serially to 2035	5.055% – 7.847%	93,885,000	93,885,000
Series 2010 B due serially to 2016	1.50% – 5.00%	11,710,000	14,365,000
Series 2011 C Revenue Refunding Bonds, due serially to 2025	3.0% – 5.0%	28,410,000	30,045,000
		<u>404,320,000</u>	<u>417,685,000</u>
(Less) plus:			
Deferred loss on bond refinancing		(7,669,944)	(8,088,821)
Bond premium		1,148,045	1,478,607
Total bonds payable		<u>\$ 397,798,101</u>	<u>411,074,786</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:			
2014	\$ 14,170,000	20,018,490	34,188,490
2015	14,705,000	19,349,290	34,054,290
2016	15,385,000	18,610,140	33,995,140
2017	16,125,000	17,794,840	33,919,840
2018	17,060,000	16,965,178	34,025,178
2019 – 2023	97,225,000	70,934,864	168,159,864
2024 – 2028	120,525,000	43,600,963	164,125,963
2029 – 2033	80,755,000	17,505,314	98,260,314
2034 – 2036	28,370,000	1,833,164	30,203,164
	<u>\$ 404,320,000</u>	<u>226,612,243</u>	<u>630,932,243</u>

Funds are on deposit with escrow agents to provide for the payment of principal, interest, and call premiums, when due, on Series 2002 K, Series 2003 I, and Series 2004 C Bonds. Accordingly, these bonds are not considered outstanding obligations of the University as of June 30, 2013 and 2012 and, therefore, are not reflected in the accompanying financial statements. The principal amounts of these bonds were approximately \$80,835,000 and \$110,300,000, respectively, as of June 30, 2013 and 2012.

Capital Lease Obligation

In 2008, the University entered into a lease agreement with SORA Housing LLC (SORA). SORA constructed two four story student housing facilities with a total of 242 units, consisting of 884 total beds, on a leasehold interest in land that was conveyed to SORA by the Borough of Glassboro. SORA agreed to lease the land, the facilities and the facilities equipment together with the fixtures, improvements and equipment to the University. Rental payments are due in semi-annual installments on September 1 and February 1, each year. The University has a capital lease payable as of June 30, 2013 and 2012 in the amount of \$67,023,901 and \$68,503,194, respectively.

In 2008, the University entered into a lease agreement with SORA RETAIL LLC (SORA). SORA constructed an approximately thirty six thousand square foot two story building for use as a university bookstore and other uses compatible with a university bookstore. The bookstore, which also contains a coffee shop, is being sub-leased to Barnes & Noble College Booksellers, Inc. Rental payments are due in monthly installments. The University has a capital lease payable as of June 30, 2013 and 2012 in the amount of \$10,859,811 and \$10,714,023, respectively.

In 2011, the University entered into a lease agreement with SORA A-1 Housing Urban Renewal Entity, LLC (SORA). SORA constructed a mixed-use building on land it owns in Glassboro, New Jersey. The building consists of a five-story, mid-rise apartment building with ground floor retail. Within this building, on the second through fifth floor, SORA constructed apartment units, classrooms, offices and other administrative spaces. The administrative space, in addition to classrooms and offices, includes lounges,

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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, 2013 and 2012 in the amount of \$32,294,433 and \$32,924,595, respectively.

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

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

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

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

	<u>Principal amount</u>	<u>Interest amount</u>	<u>Total amount</u>
Year ending June 30:			
2014	\$ (1,745,441)	10,489,259	8,743,818
2015	(1,687,190)	10,654,648	8,967,458
2016	(1,587,836)	10,813,526	9,225,690
2017	(1,471,654)	10,962,688	9,491,034
2018	(1,336,845)	11,100,501	9,763,656
2019 – 2023	(3,981,313)	57,046,937	53,065,624
2024 – 2028	3,348,438	57,606,002	60,954,440
2029 – 2033	16,874,970	53,536,357	70,411,327
2034 – 2038	41,765,924	40,811,492	82,577,416
2039 – 2042	59,999,092	13,526,733	73,525,825
	<u>\$ 110,178,145</u>	<u>276,548,143</u>	<u>386,726,288</u>

Other Long-Term Debt

Other long-term debt consists of the following:

- (A) The University leases a portion of a building in the City of Camden from Camden County College. In addition to the lease commitment, the University borrowed \$700,000 from the County of Camden in order to make a single payment to terminate a preexisting lease for space with another lessor. This loan, which bears interest at 6.23%, is to be repaid over a term of 21 years and 2 months ending November 30, 2012. As of June 30, 2013 and 2012, the outstanding obligations were \$0 and \$24,070, respectively.
- (B) The Higher Educational Capital Improvement Fund Act was established to finance capital improvements and related costs at public and private institutions of higher education within the State of New Jersey. Funding was provided from bonds issued by the New Jersey Educational Facilities Authority. The total University allocation for this program was \$23,887,250. The University is required to pay 1/3 of the debt service, including interest at rates ranging from 3.0 – 5.75%, on its allocation of the bond proceeds, plus administrative fees of the trustees and the Authority. The outstanding balances as of June 30, 2013 and 2012 were \$5,415,630 and \$5,763,764, respectively, with maturities through August 15, 2022.
- (C) On August 14, 2001, the New Jersey Educational Facilities Authority issued bonds to finance the University's loan amount request pursuant to the Dormitory Safety Trust Fund Act (P.L. 2000, C56). The University's loan under this Act was \$1,780,720 and will be repaid in annual installments from January 15, 2002 through January 15, 2016. The outstanding balances as of June 30, 2013 and 2012 were \$373,352 and \$501,136, respectively. This loan was noninterest bearing; however, the University has discounted this obligation at 5% equal to \$540,027. The discount is shown as bond

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financing costs in the accompanying financial statements and is being amortized over the life of the loan.

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

	<u>Principal amount</u>	<u>Interest amount</u>	<u>Total amount</u>
Year ending June 30:			
2014	\$ 494,401	264,120	758,521
2015	508,013	244,980	752,993
2016	527,417	224,928	752,345
2017	425,356	203,625	628,981
2018	448,931	181,101	630,032
2019 – 2023	<u>3,384,864</u>	<u>483,073</u>	<u>3,867,937</u>
	<u>\$ 5,788,982</u>	<u>1,601,827</u>	<u>7,390,809</u>

(9) Noncurrent Liabilities

Noncurrent liabilities activity for the years ended June 30, 2013 and 2012 was as follows:

<u>2013</u>	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Current portion</u>
Student housing deposits	\$ 402,570	69,280	—	471,850	—
Compensated absences	5,552,712	3,319,956	3,038,653	5,834,015	3,349,532
Other liabilities	255,739	18,914	—	274,653	—
Deposits held in custody for others	1,446,987	4,980,568	5,212,196	1,215,359	—
Bonds payable	411,074,786	—	13,276,685	397,798,101	14,170,000
Other long-term debt	6,288,970	—	499,988	5,788,982	494,401
Capital lease obligation	<u>112,141,812</u>	<u>—</u>	<u>1,963,667</u>	<u>110,178,145</u>	<u>(1,745,441)</u>
Total noncurrent liabilities	<u>\$ 537,163,576</u>	<u>8,388,718</u>	<u>23,991,189</u>	<u>521,561,105</u>	<u>16,268,492</u>

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

(10) Commitments and Contingencies

(a) *Compensated Absences*

The University recorded a liability for accumulated vacation time in the amount of approximately \$3,350,000 and \$3,029,000 as of June 30, 2013 and 2012, respectively, which is included in accounts payable and accrued expenses in the accompanying statements of net position. The liability is calculated based upon employees' accrued vacation leave as of the statements 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 \$1,976,000 and \$2,005,000 as of June 30, 2013 and 2012, respectively, which is included in compensated absences in the accompanying statements 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 \$509,000 and \$519,000 as of June 30, 2013 and 2012, respectively, is recorded in compensated absences in the accompanying statements of net position.

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(b) Unrestricted Net Position

Net position is required to be classified for accounting and reporting purposes into one of four net position categories according to externally imposed restrictions. Unrestricted net position, as defined by GASB Statement No. 35, is not subject to externally imposed stipulations. They may, however, be subject to internal designations for specific purposes by action of the University management or the University Board of Trustees. Listed below is a detail of unrestricted net position as of June 30, 2013 and 2012:

	2013	2012
Designated:		
University operating reserve	\$ 7,987,990	7,949,065
Self-supporting programs	10,638,997	8,635,981
Capital reserve for academic buildings and auxiliary enterprises	8,482,265	7,877,614
Designated renewal and replacement funds	3,185,267	1,188,267
Medical School construction fund	12,468,211	—
Board designated reserve for capital projects	15,619,540	22,587,114
Board designated reserve for Medical School	18,621,040	19,600,220
Reserve for debt service	27,871,636	24,825,290
Total unrestricted net assets	\$ 104,874,946	92,663,551

(c) Risk Management

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

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

As an instrumentality of the State of New Jersey the liability of the University is subject to all of the provisions of the New Jersey Tort Claims Act (NJSA 59:1-1 et seq.), the New Jersey Contractual Liability Act (NJSA 59:13-1 et seq.), and the availability of appropriations. The Tort Claims Act also

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creates a fund and provides for payment of claims under the Act against the State of New Jersey or against its employees for which the State of New Jersey is obligated to indemnify against tort claims, which arise out of the performance of their duties.

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

(d) 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.

(11) Rowan University Foundation

Component Unit

Rowan University Foundation (the Foundation) is a legally separate, tax-exempt component unit of the University with a fiscal year-end of June 30. The Foundation has received a determination letter from the Internal Revenue Service concluding that it is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation acts primarily as a fund-raising entity to supplement the resources that are available to the University in support of its programs. Although the University does not control the timing or amount of receipts from the Foundation, the Foundation's assets are used exclusively for the benefit, support, and promotion of the University and its educational activities. Because these resources held by the Foundation can only be used by, or are for the benefit of the University, the Foundation is considered a component unit of the University and is discretely presented as part of the University's financial statements.

During the years ended June 30, 2013 and 2012, the University received \$8,278,914 and \$6,660,716, respectively, from the Foundation. Complete financial statements of the Foundation can be obtained from the Office of the Chief Financial Officer, Rowan University, Glassboro, New Jersey.

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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, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Cash and cash equivalents	\$ 2,179,686	2,778,704
Restricted cash and cash equivalents	755,361	1,050,372
Investments:		
Bond mutual funds (domestic)	\$ 22,337,907	17,629,971
Common stock mutual funds (domestic)	55,555,763	48,439,925
Common stock mutual funds (international)	26,239,259	27,677,791
Realty investments	4,656,262	4,880,556
Alternative investments	47,820,420	42,313,380
	<u>\$ 156,609,611</u>	<u>140,941,623</u>

As of June 30, 2013 and 2012, the Foundation's investments are reported on the statements of net position as follows:

	<u>2013</u>	<u>2012</u>
Investments	\$ 33,248,178	21,969,473
Restricted investments	12,344,765	8,687,057
Restricted nonexpendable investments	111,016,668	110,285,093
	<u>\$ 156,609,611</u>	<u>140,941,623</u>

For the years ended June 30, 2013 and 2012, the (decrease) increase in fair value on investments was \$20,470,577 and (\$4,384,126), respectively and the net realized (loss) gain on investments for June 30, 2013 and 2012 was (\$1,896,639) and \$612,054, respectively. The calculation of realized gains and losses is independent of a calculation of the net change in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year were included as a change in the fair value of investments reported in the prior year and the current year.

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

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

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absence of regulatory oversight, dependence on key individuals, and nondisclosure of portfolio composition. The Foundation reviews the performance and risks associated with these investments on at least a monthly basis. In addition, the Foundation utilizes the services of an investment consultant who continually monitors the individual investment fund performance, any changes in management at the investment fund or any other significant matters affecting the fund and advises the Foundation of any such changes.

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

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

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

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Foundation's investment policy does not specifically address limitations in the maturities of investments. The Foundation's investments in bond mutual funds are all considered to have a maturity of one year or less.

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Restricted Nonexpendable Net Position

Restricted nonexpendable net position as of June 30, 2013 and 2012 consists of the following:

	2013	2012
Henry and Betty Rowan for general operations	\$ 97,000,118	97,000,118
William G. Rohrer Professorial Chair in the College of Business	1,000,000	1,000,000
Lawrence & Rita Salva Medical School	1,000,000	482,309
King Family Professorial Chair	1,000,000	1,000,000
Thomas N. Bantivoglio Honors Program for scholarships	1,103,082	1,103,082
Rohrer Scholars for scholarships	1,080,832	1,080,832
John B. Campbell Professorial Chair	1,176,282	1,176,282
Keith and Shirley Campbell Endowment to support library operations	1,641,896	1,641,896
Other endowment funds	6,014,458	5,800,574
	\$ 111,016,668	110,285,093

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

Component Unit

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

Related Party Transactions

Lease Agreements

In fiscal year 2008, the University Board of Trustees approved a long-term lease agreement for the SJTP to use a parcel of land owned by the University. The lease commenced on January 1, 2008 and is for 50 years with a renewal term of 20 years. Under the lease agreement, SJTP is to pay \$1,000 each year for the first 5 years. After 5 years there is an option that the rent may increase to the market rate for properties of a similar purpose. The rental payment of \$1,000 is included in professional and other services expenses in the accompanying statements of revenues, expenses, and changes in net position for fiscal years 2013 and 2012.

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The University Board of Trustees approved a lease agreement by and between the University and the SJTP to lease the first floor of the Samuel H. Jones Innovation Center to support its educational mission. For the years ended June 30, 2013 and 2012, SJTP recognized \$496,120 and \$483,576, respectively, in rental income related to this lease agreement. The University also reimbursed SJTP \$90,745 and \$72,651 for utility charges associated with this lease for fiscal years 2013 and 2012, respectively.

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 \$350,827 and \$287,777 for fiscal years 2013 and 2012, respectively and are reflected in professional and other services expenses in the accompanying statements of revenues, expenses, and changes in net position.

(13) Subsequent Events

On August 22, 2012 Governor Christie signed the “New Jersey Medical and Health Sciences Education Restructuring Act” (Law) into law. Effective July 1, 2013, the School of Osteopathic Medicine (SOM) in Stratford, NJ (formerly under The University of Medicine and Dentistry of New Jersey) was integrated with Rowan University (Rowan). Rowan will receive an additional State appropriation to help support SOM operations. The Law also establishes Rowan as a public research institution. Rowan issued \$56.6 million in bonds on July 1, 2013 to refund the portion of UMDNJ’s bonds attributed to SOM.

In July 2013, the University received notification of institutional grant awards from the NJ Higher Education Capital Facilities Grant Programs. The University was awarded \$86.4 million from the Building our Future Bond Act, \$26.6 million from the Higher Education Capital Improvement Fund, \$4.1 million from the Higher Education Technology Infrastructure Fund and \$.75 million from the Higher Education Equipment Leasing Fund. The Building our Future Bond Act requires at least a twenty-five percent Rowan match of the award amount, the Higher Education Technology Infrastructure Fund requires Rowan to provide a match at least equal to the award, and the Higher Education Capital Improvement Fund and the Higher Education Equipment Leasing Fund require Rowan to pay one-third and one-quarter, respectively, of the debt service on the Bonds issued to fund the Rowan projects.