KPMG

ROWAN UNIVERSITY

(A Component Unit of the State of New Jersey)

Basic Financial Statements,
Management’s Discussion and Analysis
and Required Supplementary Information

June 30, 2015

(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 year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

Adoption of New Accounting Pronouncements

As discussed in note 1 to the basic financial statements, as of July 1, 2014 the University adopted Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinions are not modified with respect to these matters.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3 through 12 and the schedules of employer contributions and schedules of proportionate share of net pension liability as of June 30, 2015 on pages 50 and 51, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

KPMG LLP

Short Hills, New Jersey
January 15, 2016

Introduction

This section of Rowan University's (the University) financial statements presents our discussion and analysis of the University's financial performance for the fiscal year ended June 30, 2015 with comparative information for the year ended June 30, 2014. Since this discussion and analysis is designed to focus on current activities, it should be read in conjunction with the University's basic financial statements, which follows this section. Management has prepared the financial statements and the related note disclosures, along with the discussion and analysis.

University Overview

Rowan University is a public research university located in Glassboro, with campuses in Camden, Stratford and Mantua Twp., New Jersey. It is recognized for its nationally ranked academic and athletic programs, talented professors and high-tech facilities. The University prides itself on being able to provide its more than 16,100 students an outstanding education at an exceptional value.

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

On July 1, 2013, the "New Jersey Medical and Health Sciences Education Restructuring Act" became effective and Rowan SOM (formerly under The University of Medicine and Dentistry of New Jersey) was integrated with the University. As a result of this integration, Rowan receives an additional State appropriation to help support SOM operations.

Rowan has been recognized by national organizations that evaluate colleges and universities. *U.S. News & World Report* ranked Rowan 19th among Best Regional Universities – North, third among the public institutions in the category. The Princeton Review has named Rowan in its "Best in the Northeast" and included the William G. Rohrer College of Business in its edition of the "Best 296 Business Schools" out of more than 1,800 schools nationally.

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

The University adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* (GASB 68). GASB 68 addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers. Certain University employees are provided with defined benefit pensions through the Public Employees' Retirement System (PERS), Police and Firemen's Retirement System (PFRS), and Teachers' Pension and Annuity Fund (TPAF), cost-sharing, multiple-employer defined benefit pension plans administered by the State of New Jersey, Division of Pensions and Benefits. In accordance with the provisions of GASB 68, the University has reported its proportionate share of PERS and PFRS net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense, and the employer pension expense and related revenue for TPAF which met the criteria for a special funding situation. As a result of the implementation of GASB 68, beginning unrestricted net position was restated as of July 1, 2014, resulting in a decrease of $236.7 million. Furthermore, the University recognized a deferred outflow of resources of $10.4 million, a net pension liability of $252.7 million, a deferred inflow of resources of $7.6 million and current year pension expense of $13.6 million within the accompanying financial statements.

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

Financial Statements

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

Statement of Net Position

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

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

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

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

(Continued)

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

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

* Amounts were not restated for GASB 68.

Current assets consist of cash and cash equivalents, deposits held by trustees under bond agreements for current principal and interest payments, receivables, current portion of investments and other current assets. Noncurrent assets consist of deposits held by trustees under agreements for capital activities, investments, loans receivable and net capital assets. Deferred outflows of resources consist of those related to pensions due to the implementation of GASB 68 and the loss on bond refinancing. Current liabilities consist of accounts payable and accrued expenses, unearned revenue and the current portion of bonds payable, other long-term debt and capital lease obligations. Noncurrent liabilities consists of student deposits, compensated absences, unearned revenue, other liabilities, deposits held in custody for others, bonds payable, net pension liability and other long-term debt. Deferred inflows of resources consist of those related to pensions due to the implementation of GASB 68 and the gain on bond refinancing.

Fiscal Year 2015 Compared to 2014

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

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

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

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

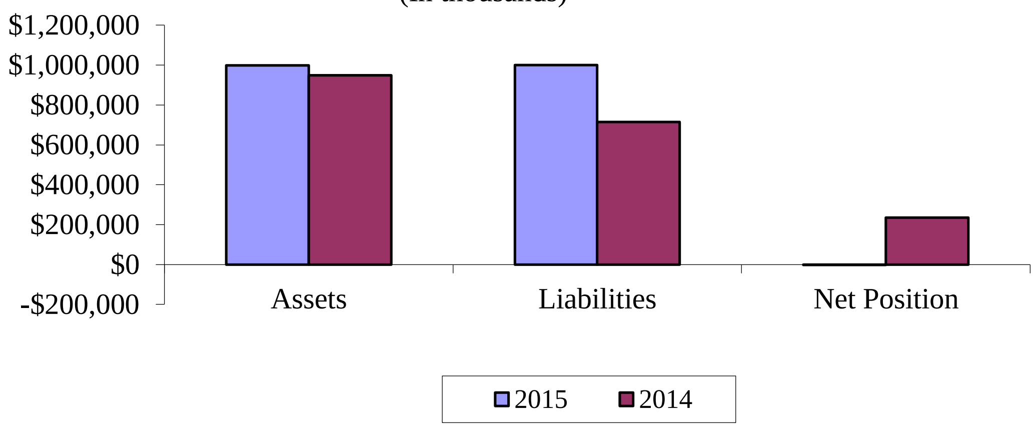
Deferred outflows of resources increased $12.0 million due to a net loss of $1.6 million on the 2015 B bond issuance and fiscal year 2015 amortization as well as the recognition of a $10.4 million deferred outflow related to the implementation of GASB 68. The 2015 B loss is being amortized annually over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

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

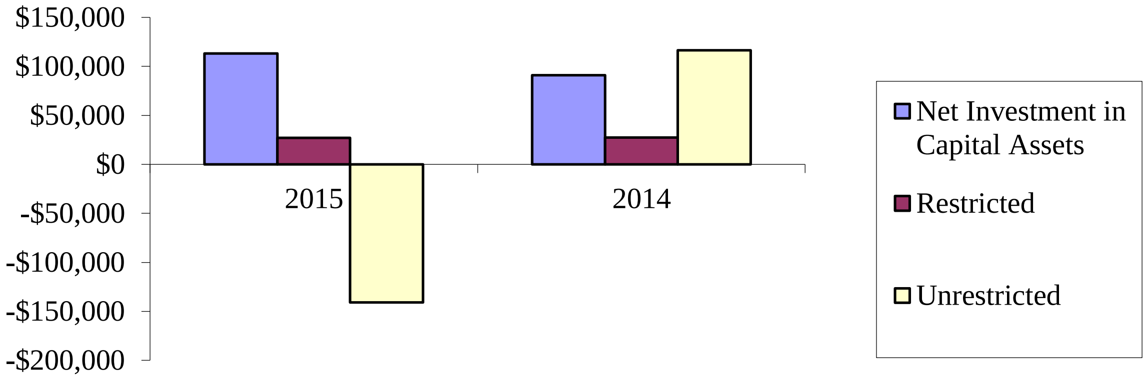
Noncurrent liabilities increased $272.4 million. This increase is due primarily to the recognition of a $252.7 million net pension liability related to the implementation of GASB 68 as well as a long term debt increase of $23.6 million due primarily to the 2015 A and 2015 B bond issuances offset by a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

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

Summary of Statement of Net Position
As of June 30
(In thousands)



Comparative Net Position
As of June 30
(In thousands)



Statement of Revenues, Expenses, and Changes in Net Position

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

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

The Statements of Revenues, Expenses, and Changes in Net Position present the University's results of operations. A summary of the University's revenues, expenses, and changes in net position for the years ended June 30, 2015 and 2014 follows:

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

***** Amounts were not restated for GASB 68.

Fiscal Year 2015 Compared to 2014

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

Revenues

To fund its operations, the University receives revenues from a variety of sources including tuition and fees, auxiliary services, grants, professional services and contracts, State of New Jersey appropriations, gifts from the Rowan University Foundation and investment income. The University is continuing to seek additional funds from all possible sources to adequately fund operating activities. A summary of operating revenues for the years ended June 30, 2015 and 2014 follows:

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

Operating Revenues

Fiscal Year 2015 Compared to 2014

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

Nonoperating Revenues (Net)

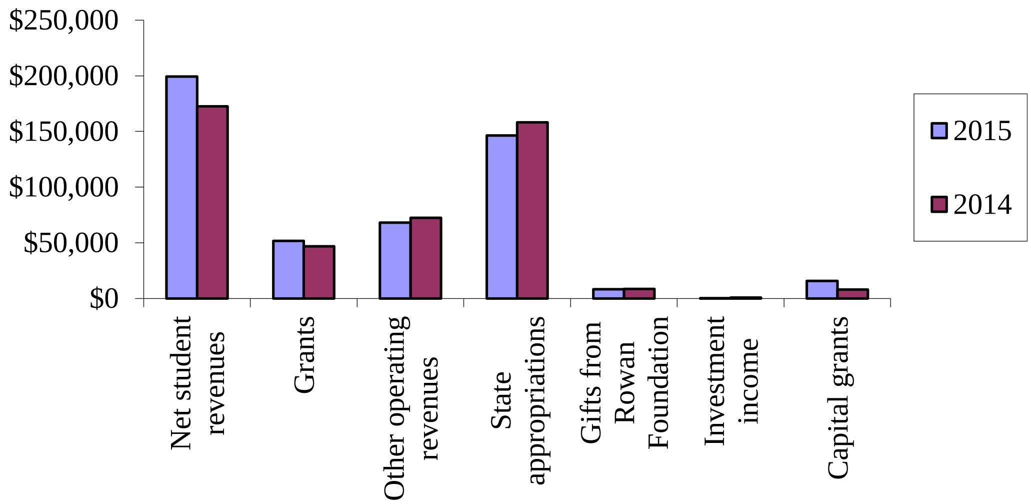
Fiscal Year 2015 Compared to 2014

Nonoperating revenues (net) for the years ended June 30, 2015 and 2014 totaled $118.6 million and $129.2 million, respectively, which is a $10.6 million decrease. The primary sources of nonoperating revenues were State of New Jersey appropriations, which decreased $11.7 million as the University recorded $146.4 million and $158.1 million for fiscal year 2015 and 2014, respectively, as well as gifts from the Rowan University Foundation, which decreased $0.4 million as the University recorded $8.1 million and $8.5 million for fiscal year 2015 and 2014, respectively. State of New Jersey appropriations include the University base appropriation as well as appropriations for the Cooper Medical School of Rowan University and the School of Osteopathic Medicine and the State paid fringe benefits. Interest payments on capital asset related debt decreased $0.4 million from $36.2 million at June 30, 2014 to $35.8 million at June 30, 2015. Other nonoperating revenues (expenses), net were $(0.4) million and $(1.9) million, respectively for fiscal years 2015 and 2014.

(Continued)

Capital grants increased in fiscal year 2015 by $7.8 million primarily due to the recognition of revenue related to the expenditures incurred through the University's capital grants awarded through the New Jersey Higher Education Capital Financing Grant Program.

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



Operating Expenses

Operating expenses are defined as expenses paid by an institution to acquire or produce goods and services used to carry out its mission, in return for operating revenues. For the years ended June 30, 2015 and 2014, the University incurred operating expenses totaling $452.2 million and $427.6 million, respectively. The increase of $24.6 million in operating expenses for fiscal year 2015 versus 2014 is a result of additional expenses attributed to: providing instruction and services for the increased number of students, medical school expenses as the enrollment of the Cooper Medical School of Rowan University increases, higher salaries due to contractual agreements with unions and an additional $13.6 million of pension expense related to the increase in the net pension liability.

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

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

Capital Assets and Debt Activities

The University continues to manage its financial resources so as to ensure adequate financial flexibility to access the capital markets as needed. The University maintains debt ratings from Standard and Poor's and Moody's Investors Service of A and A2, respectively.

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

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

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

Economic Outlook

State of New Jersey appropriations remain a vital source of funding for the University and the current budgetary issues with the State may have a negative impact on future funding. Although the University's unrestricted general operations appropriation from the State of New Jersey remained unchanged from fiscal year 2014 to fiscal year 2015, the University continues to experience uncertainty in its future level of state support. With increasing costs, particularly resulting from contractual obligations with faculty and staff and debt service, the University faces critical funding issues. Additionally, the University's desire to increase institutionally funded scholarships, continue building its academic program excellence and improve its capital assets will also impact the University's financial outlook. The University will continue to meet the goals of its mission by monitoring operating costs and seeking additional revenue sources. The University will continue to monitor the situation and maintain a close watch over resources so as to provide the University with the ability to react to potential budgetary challenges that may occur.

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

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

Statement of Net Position

June 30, 2015

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

See accompanying notes to financial statements.

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

Statement of Revenues, Expenses, and Changes in Net Position

Year ended June 30, 2015

	Rowan University	Rowan University Foundation	South Jersey Technology Park at Rowan University, Inc.	Total
Operating revenues:				
Net student revenues:				
Tuition and fees	$ 196,847,172	—	—	196,847,172
Auxiliary enterprises	49,779,719	—	—	49,779,719
Less scholarship allowances	(47,352,154)	—	—	(47,352,154)
Net student revenues	199,274,737	—	—	199,274,737
Grants	51,529,073	—	—	51,529,073
Self-funded programs	4,524,294	—	—	4,524,294
Fundraising events	—	93,114	—	93,114
Contributions	—	3,915,523	—	3,915,523
Net professional services and contracts (note 10)	59,287,760	—	—	59,287,760
Rental income (note 14)	—	—	1,031,414	1,031,414
Other operating revenues	4,133,636	—	—	4,133,636
Total operating revenues	318,749,500	4,008,637	1,031,414	323,789,551
Operating expenses:				
Instruction	145,018,633	—	—	145,018,633
Research	6,940,053	—	—	6,940,053
Public service	8,713,882	—	—	8,713,882
Academic support	34,120,831	—	—	34,120,831
Student services	27,339,208	—	—	27,339,208
Institutional support	72,574,062	382,384	426,357	73,382,803
Operation and maintenance of plant	31,040,887	—	158,231	31,199,118
Student aid	2,131,151	—	—	2,131,151
Professional services and contracts	57,611,650	—	—	57,611,650
Auxiliary enterprises	32,132,162	—	—	32,132,162
Depreciation and amortization	34,612,695	—	367,436	34,980,131
Total operating expenses	452,235,214	382,384	952,024	453,569,622
Operating (loss) income	(133,485,714)	3,626,253	79,390	(129,780,071)
Nonoperating revenues (expenses):				
State of New Jersey appropriations	30,716,000	—	—	30,716,000
State of New Jersey appropriations – CMSRU	27,847,000	—	—	27,847,000
State of New Jersey appropriations – Rowan SOM	30,229,000	—	—	30,229,000
State of New Jersey fringe benefits (note 5)	57,643,651	—	—	57,643,651
Student scholarships	—	(2,015,009)	—	(2,015,009)
Gifts from Rowan University Foundation (note 13)	8,110,814	(8,110,814)	—	—
Other grants	—	(48,570)	—	(48,570)
Investment income (net)	276,964	6,304,522	2,977	6,584,463
Investment expenses	—	(211,601)	—	(211,601)
Interest on capital asset related debt	(35,838,481)	—	(189,302)	(36,027,783)
Other nonoperating revenues (expenses), net	(363,632)	(47,859)	—	(411,491)
Net nonoperating revenues (expenses)	118,621,316	(4,129,331)	(186,325)	114,305,660
Income (loss) before other revenues	(14,864,398)	(503,078)	(106,935)	(15,474,411)
Capital grants	15,753,360	—	—	15,753,360
Contributions redesignated by donor	—	(4,153,205)	—	(4,153,205)
Additions to permanent endowments	—	3,555,016	—	3,555,016
Increase (decrease) in net position	888,962	(1,101,267)	(106,935)	(319,240)
Net (deficit) position as of beginning of year, as restated	(1,832,998)	189,308,170	6,973,440	194,448,612
Net (deficit) position as of end of year	$ (944,036)	188,206,903	6,866,505	194,129,372

See accompanying notes to financial statements.

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

Statement of Cash Flows

(Business-Type Activities – Rowan University only)

Year ended June 30, 2015

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

See accompanying notes to financial statements.

(1) Organization and Summary of Significant Accounting Policies

(a) Organization

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

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

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

(b) Summary of Significant Accounting Policies

Basis of Presentation

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

GASB Statement No. 35, Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities – an amendment of GASB Statement No. 34 (GASB 35), establishes standards for external financial reporting for public colleges and universities and requires that resources be classified for accounting and reporting purposes into the following net position categories.

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

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

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

- *Unrestricted*: Net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or the board of trustees.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the University's policy is to first apply the expense towards restricted resources and then towards unrestricted resources.

Measurement Focus and Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting utilizing the economic resources measurement focus. The University reports as a business-type activity, as defined by GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* (GASB 34). Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

Cash and Cash Equivalents

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

The University maintains portions of its cash with three custodians, two banks and the State of New Jersey Cash Management Fund (NJCMF). All are interest-bearing accounts from which the funds are available upon demand.

Investments

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

Capital Assets

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

	Useful lives
Land improvements	20 years
Buildings	20–40 years
Equipment	3–20 years

Deposits Held in Custody for Others

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

Net Pension Liability and Related Pension Amounts

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

Financial Dependency

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

Student Tuition and Fees

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

Professional Services and Contract Revenues

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

Grants and Contracts

All grants and contracts are recognized when all eligibility requirements for revenue recognition are met which is generally the period in which related expenses are incurred. Amounts received from grants and contracts for which eligibility requirements have not been met under the terms of the agreement, are recorded as unearned revenue in the accompanying statement of net position.

Classification of Revenue

The University's policy for defining operating activities in the statements of revenues, expenses, and changes in net position are those that serve the University's principal purpose and generally result from exchange transactions such as the payment received for services and payment made for the purchase of goods and services. Examples include (1) student tuition and fees, net of scholarship allowances, (2) most Federal, State, and private grants and contracts, and (3) professional services and contract revenue. Nonoperating revenues include activities that have the characteristics of nonexchange transactions or do not result from the receipt or provision of goods and services, such as operating appropriations from the state, private gifts, and investment income.

New Accounting Standards Adopted

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

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

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

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

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

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

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

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

Use of Estimates

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

Tax Status

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

(2) Cash, Cash Equivalents, and Investments

(a) Cash and Cash Equivalents

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

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

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

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

(b) Investments

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

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

The University has an investment policy, which establishes guidelines for permissible investments. Short-term investment options include, but are not limited to, the use of U.S. government agency obligations, corporate bonds and other investment vehicles (i.e. mutual funds, municipal obligations, etc.) that are deemed appropriate and within the risk parameters as determined by the University Board of Trustees and the University Executive Staff.

The University's long-term investment options include, but are not limited to, the purchase of U.S. Government agency obligations, U.S. government treasury securities, corporate bonds, and other investment vehicles (i.e. mutual funds, asset backed securities, etc.) that are deemed appropriate and within the risk parameters as determined by the University Board of Trustees and the University Executive Staff.

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

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The credit risk of a debt instrument is measured by nationally recognized statistical rating agencies such as Moody's Investors Service, Inc. (Moody's) and Standard and Poors (S&P). The University's investment policy requires that fixed income securities are rated Baa3/BBB- or higher by at least one rating agency. At June 30, 2015, the University does not have investments in a single issuer of more than 5% of its total investments and therefore does not have a concentration of credit risk.

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

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

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of a debt investment. The University's investment policy does not specifically address limitations in the maturities of investments. For the University, the following table summarizes the maturities of the fixed income security investments at June 30, 2015:

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

(3) Restricted Deposits Held by Trustees

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

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

(4) Capital Assets

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

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

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

(5) State of New Jersey Fringe Benefits

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

(6) Retirement Plans

The University participates in several retirement plans, administered by the State of New Jersey, Division of Pensions and Benefits (the Division), covering its employees – the Public Employees' Retirement System, the Police and Firemen's Retirement System, the Teachers' Pension and Annuity Fund, the Alternate Benefit Program (ABP), and the Defined Contribution Retirement Program (DCRP). PERS, PFRS and TPAF are cost-sharing, multiple-employer defined benefits retirement plans, while ABP and DCRP are defined contribution retirement plans. Generally all employees, except certain part-time employees, participate in one of these plans. The University is charged for pension costs through a fringe benefit charge assessed by the State which is included with the State of New Jersey fringe benefits in the accompanying financial statements (see note 5).

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

(a) Defined Benefit Pension Plans

General Information

Public Employees' Retirement System

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

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

The following represents the membership tiers for PERS:

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

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

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

Police and Firemen's Retirement System

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

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

The following represents the membership tiers for PFRS:

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

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

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

Teachers' Pension and Annuity Fund

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

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

The following represents the membership tiers for TPAF:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Actuarial Assumptions

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

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

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

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

Long Term Expected Rate of Return

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

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

(Continued)

Discount Rate

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

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

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

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

(b) Defined Contribution Retirement Plans

Alternative Benefit Program

ABP provides retirement and death benefits for or on behalf of those full-time professional employees and faculty members electing to participate in this optional retirement program. Participation eligibility as well as contributory and noncontributory requirements is established by the State of New Jersey Retirement and Social Security Law. Contributions can be invested with up to six investment carriers available under the plan. Additional voluntary contributions may be made on a tax-deferred basis, subject to limits within the Internal Revenue Code. The University assumes no liability for ABP members other than payment of contributions.

Benefits are determined by the amount of individual accumulations and the retirement income option selected. All benefits vest after the completion of one year of service. Individually owned annuity contracts that provide for full ownership of retirement and survivor benefits are purchased at the time of vesting. Participating University employees contribute 5% of salary and may contribute a voluntary additional contribution up to the maximum Federal statutory limit, on a pre-tax basis. Employer contributions are 8%. During the year ended June 30, 2015, ABP investment carriers received employer and employee contributions as follows:

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

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

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

Defined Contribution Retirement Plan

DCRP was established under the provisions of Chapter 92, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008 and Chapter 1, P.L. 2010. DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit along with life insurance and disability coverage. DCRP enrollment eligibility criteria includes employees who: (1) earn below a minimum base salary, or (2) do not work a minimum number of hours per week, or (3) are enrolled in PERS and make in excess of the established “maximum contribution” limits. Participating eligibility, as well as contributory and noncontributory requirements is established by the State of New Jersey Retirement and Social Security Law.

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

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

		Amount
Employer contributions	$	20,383
Employee contributions		37,483
Basis for contributions:		
Participating employee salaries	$	680,677

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

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

(7) Accounts Payable and Accrued Expenses

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

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

(8) Long-term Debt

Bonds Payable

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

	Interest rate	Amount
NJEFA Series 2005 D Revenue Refunding Bonds, due serially to 2030	3.250%–5.250%	$ 4,140,000
NJEFA Series 2006 G Revenue Bonds, due serially to 2031	4.000%–4.500%	23,500,000
NJEFA Series 2007 B Revenue Refunding Bonds, due serially to 2034	3.000%–5.500%	113,845,000
NJEFA Series 2008 B Revenue Refunding Bonds, due serially to 2027	4.000%–5.000%	35,095,000
CCIA Series 2010 A Build America Bonds, due serially to 2035	5.055%–7.847%	93,885,000
CCIA Series 2010 B Revenue Bonds, due serially to 2016	1.500%–5.000%	6,130,000
NJEFA Series 2011 C Revenue Refunding Bonds, due serially to 2025	3.000%–5.000%	24,355,000
CCIA Series 2013 A Rowan SOM Revenue Refunding Bonds, due serially to 2032	3.000%–5.000%	26,195,000
CCIA Series 2013 B Rowan SOM Revenue Refunding Bonds due serially to 2032	0.890%–5.160%	26,690,000
GCIA Series 2015 A Revenue Bonds, due serially to 2036	3.250%–5.000%	34,745,000
GCIA Series 2015 B Revenue Refunding Bonds, due serially to 2031	1.500%–5.000%	69,555,000
		458,135,000
Plus:		
Bond premium		14,949,319
Total bonds payable		$ 473,084,319

(Continued)

Future annual debt service requirements approximate the following:

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

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

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

(a) Capital Lease Obligation

In 2008, the University entered into a lease agreement with SORA Housing LLC (SORA). SORA constructed two four story student housing facilities with a total of 242 units, consisting of 884 total beds, on a leasehold interest in land that was conveyed to SORA by the Borough of Glassboro. SORA agreed to lease the land, the facilities and the facilities equipment together with the fixtures, improvements and equipment to the University. Rental payments are due in semiannual installments on September 1 and February 1, each year. The University has a capital lease payable as of June 30, 2015 in the amount of $69,200,002.

In 2008, the University entered into a lease agreement with SORA RETAIL LLC (SORA). SORA constructed an approximately thirty six thousand square foot two story building for use as a university bookstore and other uses compatible with a university bookstore. The bookstore, which also contains a coffee shop, is being sub-leased to Barnes & Noble College Booksellers, Inc. Rental payments are due in monthly installments. The University has a capital lease payable as of June 30, 2015 in the amount of $11,248,721.

In 2011, the University entered into a lease agreement with SORA A-1 Housing Urban Renewal Entity, LLC (SORA). SORA constructed a mixed-use building on land it owns in Glassboro, New Jersey. The building consists of a five-story, mid-rise apartment building with ground floor retail. Within this building, on the second through fifth floor, SORA constructed apartment units, classrooms, offices and other administrative spaces. The administrative space, in addition to classrooms and offices, includes lounges, study rooms, recreational rooms together with all common elements, including elevators, laundry facilities, recreational and fitness facilities and other amenities. The University's lease pertains to the apartment units and administrative areas only. The apartment units are being occupied by University honor students and consist of 280 beds. Rental payments are due in semi-annual installments on September 1 and February 1, each year. The University has a capital lease payable as of June 30, 2015 in the amount of $33,162,054.

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

In April 2012, the University entered into a lease agreement with Nexus Holdings, LLC (Nexus). Nexus constructed a multi-level parking garage consisting of approximately 1,200 parking spaces. The construction started in July 2012 and was completed for the Fall 2013 semester. The University's lease pertains to the use of 900 parking spaces as well as the use of all common areas of the parking garage. The term of the lease shall be for a period of thirty years and started on the date when the facility became ready for occupancy. At the completion of the lease term, the University will have the option of extending the lease for an additional four terms of ten years each. The University will have the option to purchase 900 spaces in the garage at fair market value at any time within the first five years after the expiration of the initial term of the lease. The University has a capital lease payable as of June 30, 2015 in the amount of $21,438,798.

In April 2012, the University entered into a second lease agreement with Nexus to construct a five-story retail, classroom and office building. The construction started in July 2012 and was completed for the Fall 2013 semester. The University's lease pertains to the second through fifth floors, which will contain classrooms and office space, as well as the central lobby of the building and the lobby and stairwells connecting the building to an adjacent parking garage. The first floor of the building will be for retail operations. The term of the lease will be for a period of twenty years and started on the date when the facility became ready for occupancy (Commencement date). The University will have the option to purchase the leased portion of the property, at the end of the term, for $1.00 consideration. The University has a capital lease payable as of June 30, 2015 in the amount of $16,303,988.

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

		Principal amount	Interest amount	Total amount
Year ending June 30:				
2016	$	(1,222,587)	14,408,562	13,185,975
2017		(1,070,770)	14,524,589	13,453,819
2018		(899,807)	14,626,248	13,726,441
2019		(611,006)	14,707,956	14,096,950
2020		(359,977)	14,762,768	14,402,791
2021–2025		2,776,094	73,766,996	76,543,090
2026–2030		15,161,213	70,210,238	85,371,451
2031–2035		34,088,148	59,139,888	93,228,036
2036–2040		63,449,097	37,732,477	101,181,574
2041–2044		40,043,158	5,158,710	45,201,868
	$	151,353,563	319,038,432	470,391,995

(b) Other Long-Term Debt

Other long-term debt consists of the following:

(A) The Higher Educational Capital Improvement Fund Act was established to finance capital improvements and related costs at public and private institutions of higher education within the State. Funding was provided from bonds issued by the New Jersey Educational Facilities Authority. The total University allocation for this program was $23,887,250. The University is required to pay 1/3 of the debt service on its allocation of the bond proceeds, plus administrative fees of the trustees and the Authority. The outstanding balance as of June 30, 2015 is $4,746,660, with maturities through August 15, 2022.

(B) On August 14, 2001, the New Jersey Educational Facilities Authority issued bonds to finance the University's loan amount request pursuant to the Dormitory Safety Trust Fund Act (P.L. 2000, C56). The University's loan under this Act was $1,780,720 and will be repaid in annual installments from January 15, 2002 through January 15, 2016. The outstanding balance as of June 30, 2015 was $122,784.

(C) As a result of the New Jersey Medical and Health Sciences Education Restructuring Act, Higher Educational Capital Improvement Fund Act outstanding debt of UMDNJ, related to SOM, was transferred to the University on July 1, 2013. The outstanding balance on this debt, as of June 30, 2015, is $1,832,807.

(D) In July 2013, the University received notification of an institutional grant award from the New Jersey Higher Education Capital Facilities Grant Program. The University was awarded $26.6 million from the Higher Educational Capital Improvement Fund Act. The University is required to pay 1/3 of the debt service on its allocation of the bond proceeds plus administrative fees of the Trustees and the Authority. No payments were made during fiscal year 2015. The outstanding balance as of June 30, 2015 is $8,246,628, with maturities through August 15, 2033.

(E) In July 2013, the University received notification of an institutional grant award from the New Jersey Higher Education Capital Facilities Grant Program. The University was awarded $0.75 million from the Higher Education Equipment Leasing Fund. The University is required to pay 1/4 of the debt service on its allocation of the bond proceeds plus administrative fees of the Trustees and the Authority. The outstanding balance as of June 30, 2015 is $150,813.

Principal and interest payments for these obligations are as follows:

		Principal amount	Interest amount	Total amount
Year ending June 30:				
2016	$	1,105,471	665,852	1,771,323
2017		1,029,824	618,555	1,648,379
2018		1,079,712	568,956	1,648,668
2019		1,128,657	518,002	1,646,659
2020		1,182,597	464,008	1,646,605
2021–2025		4,748,818	1,508,672	6,257,490
2026–2030		2,423,855	798,027	3,221,882
2031–2035		2,400,758	238,670	2,639,428
	$	15,099,692	5,380,742	20,480,434

(9) Noncurrent Liabilities

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

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

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

(10) Professional Services and Contract Revenues

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

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

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

Gross charges pertain to the following payors:

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

Faculty practice gross accounts receivable pertain to the following payors:

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

(11) Commitments and Contingencies

(a) Operating Leases

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

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

(b) Compensated Absences

The University recorded a liability for accumulated vacation time in the amount of approximately $6,568,000 as of June 30, 2015, which is included in accounts payable and accrued expenses in the accompanying statement of net position. The liability is calculated based upon employees' accrued vacation leave as of the statement of net position date.

Payments for accumulated sick leave balances are made to retiring employees upon regular retirement. The payment is based on 50% of the employee's sick leave accumulation, at the pay rate in effect at the time of retirement up to a maximum of $15,000. Employees separating from University service prior to retirement are not entitled to payments for accumulated sick leave balances. Accordingly, the University recorded a liability for accumulated sick leave balances in the amount of approximately $2,567,000 as of June 30, 2015, which is included in compensated absences in the accompanying statement of net position.

During fiscal year 2010, bargaining unit employees were required to take seven unpaid furlough days. Three of these days were banked for either future use or pay out upon separation. A liability for the accumulated leave bank in the amount of approximately $498,000 as of June 30, 2015 is recorded in compensated absences in the accompanying statement of net position.

(c) Risk Management

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

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

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

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

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

All commercial insurance policies are renewed on an annual basis. There has been no decrease in insurance coverage during the current year. There have been no settlements in excess of insurance coverage in the past three years.

(d) Medical Malpractice Self-Insurance Fund

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

Payment of claims from the Fund totaled $15,658,995 in fiscal year 2015 for SOM. Included in accounts payable and accrued expenses is approximately $3,100,000 which represents the University's contribution to the Fund for the year ended June 30, 2015.

(e) Corporate Integrity Agreement

The UMDNJ had operated under a five-year Corporate Integrity (CIA) with the Department of Health and Human Services Offices of the Inspector General (DHHS-OIG) since September 2009. This agreement was assignable to successor organizations. Upon the integration of SOM into Rowan University, the Board of Trustees of Rowan University adopted a healthcare compliance program consistent with relevant laws and practices, and to fulfill the requirements of the CIA and the 15 remaining months of the agreement. The CIA requirements expired September 2014, but the compliance measures that have been developed and implemented will be continued. A Voluntary Compliance Program was implemented on September 26, 2014.

(f) Other Contingencies

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

(g) Service Concession Arrangement for the Student Housing Facility

Ground Lease

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

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

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

(Continued)

Project Development Agreement

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

Management Agreement

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

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

Dining Facility Sublease

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

(Continued)

(h) Camden Housing Project

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

(12) Rowan University Foundation

Component Unit

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

During the year ended June 30, 2015, the University received $8,110,814 from the Foundation. Complete financial statements of the Foundation can be obtained from the Office of the Chief Financial Officer, Rowan University, Glassboro, New Jersey.

(Continued)

Cash, Cash Equivalents, Restricted Nonexpendable Investments and Investments

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

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

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

		Amount
Investments	$	46,968,851
Restricted investments		15,644,609
Restricted nonexpendable investments		116,772,100
	$	179,385,560

For the year ended June 30, 2015, the increase in fair value on investments was $4,059,737 and the net realized (loss) on investments was ($43,011). The calculation of realized gains and losses is independent of a calculation of the net change in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year were included as a change in the fair value of investments reported in the prior year and the current year.

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

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

(Continued)

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

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

The Foundation has an investment policy which establishes guidelines for permissible investments. The Foundation may invest in domestic equity securities, international equity securities, fixed income securities, real estate investments and venture capital investments. The Foundation has committed total capital of $42,000,000 in real estate and venture capital investments, $6,003,304 of which is unfunded as of June 30, 2015. The Foundation's investments are subject to various risks. Among these risks are credit risk and interest rate risk. Each one of these risks is discussed below.

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

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

Restricted Nonexpendable Net Position

Restricted nonexpendable net position as of June 30, 2015 consists of the following:

		Amount
Henry and Betty Rowan for general operations	$	97,000,118
William G. Rohrer Professorial Chair in the College of Business		1,000,000
Lawrence & Rita Salva Medical School		1,000,000
King Family Professorial Chair		1,000,000
Thomas N. Bantivoglio Honors Program for scholarships		1,193,082
Rohrer Scholars for scholarships		1,080,932
John B. Campbell Professorial Chair		1,176,282
Keith and Shirley Campbell Endowment to support library operations		1,641,896
Rohrer College of Business		1,513,580
Henry M. Rowan College of Engineering Endowment		1,000,000
Other endowment funds		9,166,210
	$	116,772,100

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

Component Unit

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

(a) Related Party Transactions

Lease Agreements

In fiscal year 2008, the University Board of Trustees approved a long-term lease agreement for the SJTP to use a parcel of land owned by the University. The lease commenced on January 1, 2008 and is for 50 years with a renewal term of 20 years. Under the lease agreement, SJTP is to pay $1,000 each year. The rental payment of $1,000 is included in professional and other services expenses in the accompanying statements of revenues, expenses, and changes in net position for fiscal year 2015.

The University Board of Trustees approved a lease agreement by and between the University and the SJTP to lease the first floor of the Samuel H. Jones Innovation Center to support its educational mission. For the year ended June 30, 2015, SJTP recognized $510,839 in rental income related to this lease agreement. The University also reimbursed SJTP $76,643 for utility charges associated with this lease for fiscal year 2015.

Business Operating Agreement

SJTP and the University entered into a business operating agreement for the University to provide certain services and functions to SJTP. SJTP pays the University for these services and functions which include salaries and benefits of employees who perform functions for SJTP, accounting services, custodial services, landscaping services, repairs and maintenance, and other indirect charges. The charges amounted to $351,256 for fiscal year 2015 and are reflected in professional and other services expenses in the accompanying statement of revenues, expenses, and changes in net position.

(14) Subsequent Events

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

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

Required Supplementary Information (Unaudited)

Schedules of Employer Contributions

June 30, 2015

Public Employees' Retirement System

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

Police and Firemen's Retirement System

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

See accompanying independent auditors' report.

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

Required Supplementary Information (Unaudited)

Schedules of Proportionate Share of the Net Pension Liability

June 30, 2015

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

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

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

See accompanying independent auditors' report.