



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

Basic Financial Statements and
Management's Discussion and Analysis

June 30, 2008 and 2007

(With Independent Auditors' Report Thereon)

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

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Management's Discussion and Analysis

June 30, 2008 and 2007

Introduction

This section of Rowan University's (the University) financial statements presents our discussion and analysis of the University's financial performance during the fiscal years that ended on June 30, 2008 and 2007, and comparative amounts for the year ended June 30, 2006. Since this discussion and analysis is designed to focus on current activities, it should be read in conjunction with the University's basic financial statements, which follows this section. Management has prepared the financial statements and the related footnote disclosures, along with the discussion and analysis.

College Overview

The University is a top-ranked, medium-sized public university located in Glassboro, Gloucester County, New Jersey, between Philadelphia, PA and Atlantic City, NJ. With high-tech facilities, nationally ranked academic and athletic programs and talented professors, the University offers an outstanding education at an exceptional value. Through public/private partnerships, the University is able to compete with private colleges and create opportunities not available on most state university campuses.

The University offers 42 undergraduate majors among six academic colleges (Business, Communication, Education, Engineering, Fine & Performing Arts, and Liberal Arts & Sciences), 7 teacher certification programs, 26 programs leading to a master's or specialist degree, and one program leading to the Doctor of Education degree. The undergraduate program combines a liberal education with professional preparation. Studies at the graduate level lead to Master of Arts, Master of Business Administration, Master of Music, Master of Science in Engineering, Master of Science in Teaching, Education Specialist, and Doctor of Education degrees. The undergraduate and graduate programs are housed in seven colleges.

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

As a U.S. News and World Report "Top Tier" institution, Rowan University is attracting highly qualified students who are increasingly making Rowan the public university of choice in the region. Rowan University is included in the Kaplan "Guide to the 320 Most Interesting Colleges." *Kiplinger's* named Rowan University one of the "100 Best Buys in Public Colleges and Universities" and the *Princeton Review* included Rowan University in the latest edition of "The Best Northeastern Colleges."

Financial Statements

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

Statement of Net Assets

The Statement of Net Assets presents the assets, liabilities, and net assets of the University as of the end of the fiscal year. The Statement of Net Assets is a point of time financial statement. The purpose of the Statement of

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Net Assets is to present to the readers of the financial statements a fiscal snapshot of Rowan University. The Statement of Net Assets presents end-of-the-year data concerning assets (current and noncurrent), liabilities (current and noncurrent), and net assets (assets minus liabilities).

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

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

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

The State of New Jersey is implementing Government Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for the fiscal year ending June 30, 2008. The State of New Jersey is legally responsible for contributions to the postemployment benefits plan. The employees of the University are employees of the State of New Jersey, therefore the other postemployment benefit plans liability will be reported by the State of New Jersey.

A summary of the University's assets, liabilities, and net assets as of June 30, 2008, 2007, and 2006 follows:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
		(In thousands)	
Current assets	\$ 85,878	72,355	61,058
Noncurrent assets	436,548	452,736	409,204
Total assets	<u>\$ 522,426</u>	<u>525,091</u>	<u>470,262</u>
Current liabilities	\$ 31,113	32,940	34,605
Noncurrent liabilities	339,423	344,303	292,246
Total liabilities	<u>\$ 370,536</u>	<u>377,243</u>	<u>326,851</u>
Net assets:			
Invested in capital assets, net of related debt	\$ 81,545	83,975	80,619
Restricted expendable for:			
Renewal and replacement	650	500	500
Debt service	4,545	7,280	5,570
Debt service reserve	16,004	15,600	22,009
Unrestricted	49,146	40,493	34,713
Total net assets	<u>\$ 151,890</u>	<u>147,848</u>	<u>143,411</u>

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Current assets consist of cash and cash equivalents, deposits held by bond trustees under bond agreements for current principal and interest payments, inventories, receivables and other assets. Noncurrent assets consist of deposits held by bond trustees under bond agreements for capital activities, investments, deferred financing costs, and net capital assets. Current liabilities consist primarily of accounts payable and accrued expenses, compensated absences, accrued interest payable, deferred revenue and the current portion of long-term debt. Noncurrent liabilities consist primarily of long-term debt, compensated absences, and deposits held in custody for others.

Fiscal Year 2008 Compared to 2007

The University's Statement of Net Assets at June 30, 2008 reflects a decrease in total assets of \$2.7 million. Current assets increased \$13.5 million from \$72.4 million at June 30, 2007 to \$85.9 million at June 30, 2008. This increase is primarily a result of increases in cash and cash equivalents of \$19 million. The cash and cash equivalents increase is attributed to increases in cash provided by investing activities as well as noncapital financing activities offset by decreases in receivables, inventory and deposits held by bond trustees.

Noncurrent assets decreased \$16.2 million in the year ended June 30, 2008. The primary cause for this was a decrease of \$22.4 million in the University's deposits held by bond trustees as well as an increase in capital assets of \$6.4 million.

Total net assets increased by \$4.0 million at June 30, 2008 compared to June 30, 2007. Invested in capital assets, net of related debt decreased \$2.4 million during the respective time period. Unrestricted net assets increased \$8.7 million as revenues exceeded expenses. Restricted expendable net assets decreased \$2.2 million as a result of a decrease in debt service requirements.

Fiscal Year 2007 Compared to 2006

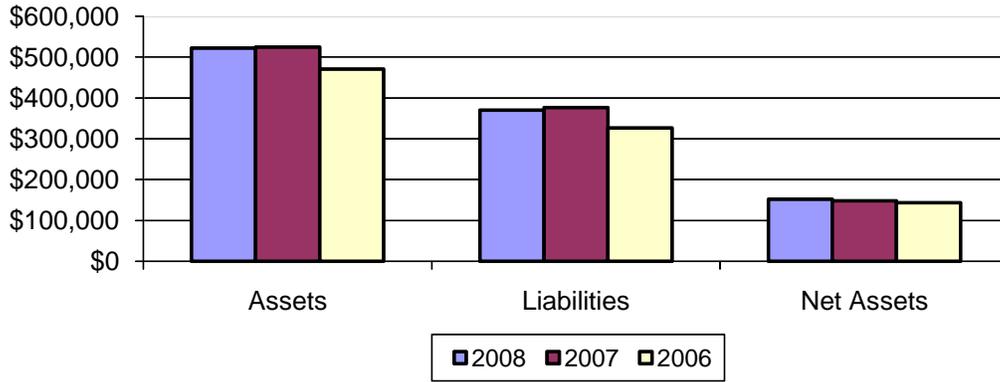
The University's Statement of Net Assets at June 30, 2007 reflects an increase in total assets of \$54.8 million. Current assets increased \$11.3 million from \$61.1 million at June 30, 2006 to \$72.4 million at June 30, 2007. This increase is primarily a result of increases in cash and cash equivalents of \$7.3 million and receivables due from the Rowan University Foundation and the South Jersey Technology Park at Rowan University of \$1.3 million and \$1.0 million, respectively. The cash and cash equivalents increase is attributed to increases in cash provided by investing activities as well as noncapital financing activities.

Noncurrent assets increased \$43.5 million in the year ended June 30, 2007. The primary cause for this was an increase of \$14.8 million in the University's capital assets net of accumulated depreciation as well as an increase of \$28.2 million in deposits held by bond trustees attributed to proceeds from a new bond issue. Included in the capital assets net of accumulated depreciation increase was the acquisition of various land parcels and ongoing completion of deferred maintenance projects and infrastructure improvements.

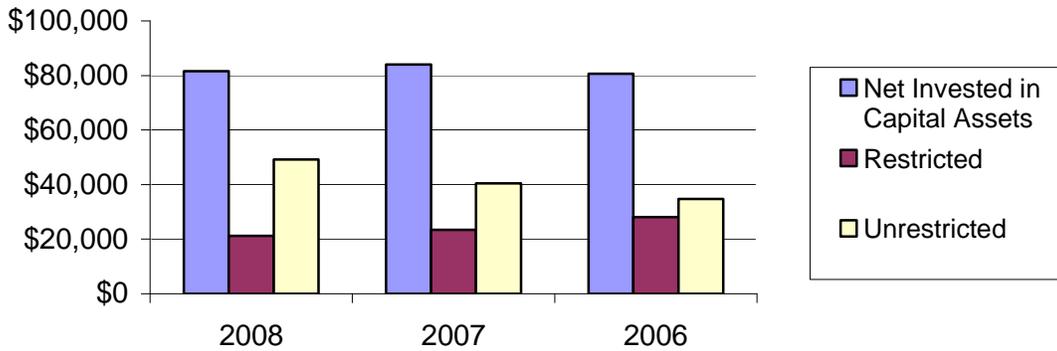
Total net assets increased by \$4.4 million at June 30, 2007 compared to June 30, 2006. Invested in capital assets, net of related debt increased \$3.4 million during the respective time period. Unrestricted net assets increased \$5.8 million as revenues exceeded expenses. Restricted expendable net assets decreased \$4.7 million as a result of a decrease in debt service reserve requirements.

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



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



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Management's Discussion and Analysis

June 30, 2008 and 2007

Statement of Revenues, Expenses, and Changes in Net Assets

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

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

The Statement of Revenues, Expenses, and Changes in Net Assets presents the University's results of operations. A summary of the University's revenues, expenses, and changes in net assets for the years ended June 30, 2008, 2007, and 2006 follows:

	2008	2007	2006
		(In thousands)	
Operating revenues:			
Net student revenues	\$ 102,831	93,783	88,681
Grants	22,987	22,432	21,030
Other	5,920	4,706	5,777
Total operating revenues	131,738	120,921	115,488
Operating expenses	188,671	180,262	168,612
Operating loss	(56,933)	(59,341)	(53,124)
Nonoperating revenues (expenses):			
State appropriations	63,580	60,984	62,177
Gifts	6,987	6,072	5,818
Investment income	2,429	4,444	2,916
Interest on capital asset related debt	(11,668)	(7,184)	(6,739)
Transfer from (to) South Jersey Technology Park at Rowan University	551	(551)	—
Other nonoperating revenue, net	(1,057)	(139)	609
Net nonoperating revenues	60,822	63,626	64,781
Income before other revenues	3,889	4,285	11,657
Capital grants	153	153	303
Increase in net assets	4,042	4,438	11,960
Net assets – beginning of year	147,848	143,410	131,450
Net assets – end of year	\$ 151,890	147,848	143,410

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Fiscal Year 2008 Compared to 2007

The University's net assets increased by \$4.0 million in fiscal year 2008. This balance represents the excess of total revenue available to the University of \$205.4 million compared to total expenses of \$201.4 million. This excess can be attributed to increases in net student revenues, self-funded programs revenue, gifts from the Rowan University Foundation and State of New Jersey appropriations. Net student revenues increased as a result of a rate increase.

Fiscal Year 2007 Compared to 2006

The University's net assets increased by \$4.4 million in fiscal year 2007. This balance represents the excess of total revenue available to the University of \$192.4 million compared to total expenses of \$188.1 million. This excess can be attributed to revenue increases in tuition and fees, and investment income offset by a decrease in the State of New Jersey appropriation. Tuition revenues increased as a result of an 8% rate increase. Investment income increased due to both rate increases and efficient cash management practices. Debt service expense savings for the period resulted from the partial refunding of many of the University's outstanding bond issues.

Revenues

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

	<u>2008</u>		<u>2007</u>		<u>2006</u>	
	<u>Amount</u>	<u>% of total</u>	<u>Amount</u>	<u>% of total</u>	<u>Amount</u>	<u>% of total</u>
	(Amounts in thousands)					
Operating revenues:						
Net student revenue	\$ 102,831	78.06%	\$ 93,783	77.56%	\$ 88,681	76.79%
Grants	22,987	17.45	22,432	18.55	21,030	18.21
Other	5,920	4.49	4,706	3.89	5,777	5.00
Total operating revenues	<u>\$ 131,738</u>	<u>100.00%</u>	<u>\$ 120,921</u>	<u>100.00%</u>	<u>\$ 115,488</u>	<u>100.00%</u>

Operating

Fiscal Year 2008 Compared to 2007

Operating revenues for the years ended June 30, 2008 and 2007 totaled \$131,738,361 and \$120,920,881, respectively. The sources of these revenues were student revenues, net of scholarships of \$102,830,786 and \$93,783,180, respectively, governmental grants of \$22,987,302 and \$22,432,379, respectively, and other revenue of \$5,920,273 and \$4,705,322, respectively. The increase in other revenue is a result of an increase in self-funded programs revenue of \$916,803 as well as an increase in other operating revenues of \$298,148.

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Fiscal Year 2007 Compared to 2006

Operating revenues for the years ended June 30, 2007 and 2006 totaled \$120,920,881 and \$115,488,240, respectively. The sources of these revenues were student revenues, net of scholarships of \$93,783,180 and \$88,681,005, respectively, governmental grants of \$22,432,379 and \$21,030,130, respectively, and other revenue of \$4,705,322 and \$5,777,105, respectively. The decrease in other revenue is a result of a decrease in self-funded programs revenue of \$486,951 as well as a decrease in other operating revenues of \$584,832.

Nonoperating

Fiscal Year 2008 Compared to 2007

Nonoperating revenue for the years ended June 30, 2008 and 2007 totaled \$73,700,104 and \$71,653,064, respectively. The primary source of nonoperating revenue was the State of New Jersey appropriations and fringe benefits of \$63,579,691 and \$60,984,205, respectively. The other components of nonoperating revenues were gifts from Rowan University Foundation of \$6,986,742 and \$6,071,702, respectively, investment income of \$2,429,222 and \$4,443,793, respectively, transfer from South Jersey Technology Park at Rowan University of \$551,085 in 2008 and capital grants of \$153,364 in both years.

The Statements of Revenues, Expenses, and Changes in Net Assets revealed the University had an increase of \$4,042,254 and \$4,437,484 in net assets for the years ended June 30, 2008 and 2007, respectively.

Fiscal Year 2007 Compared to 2006

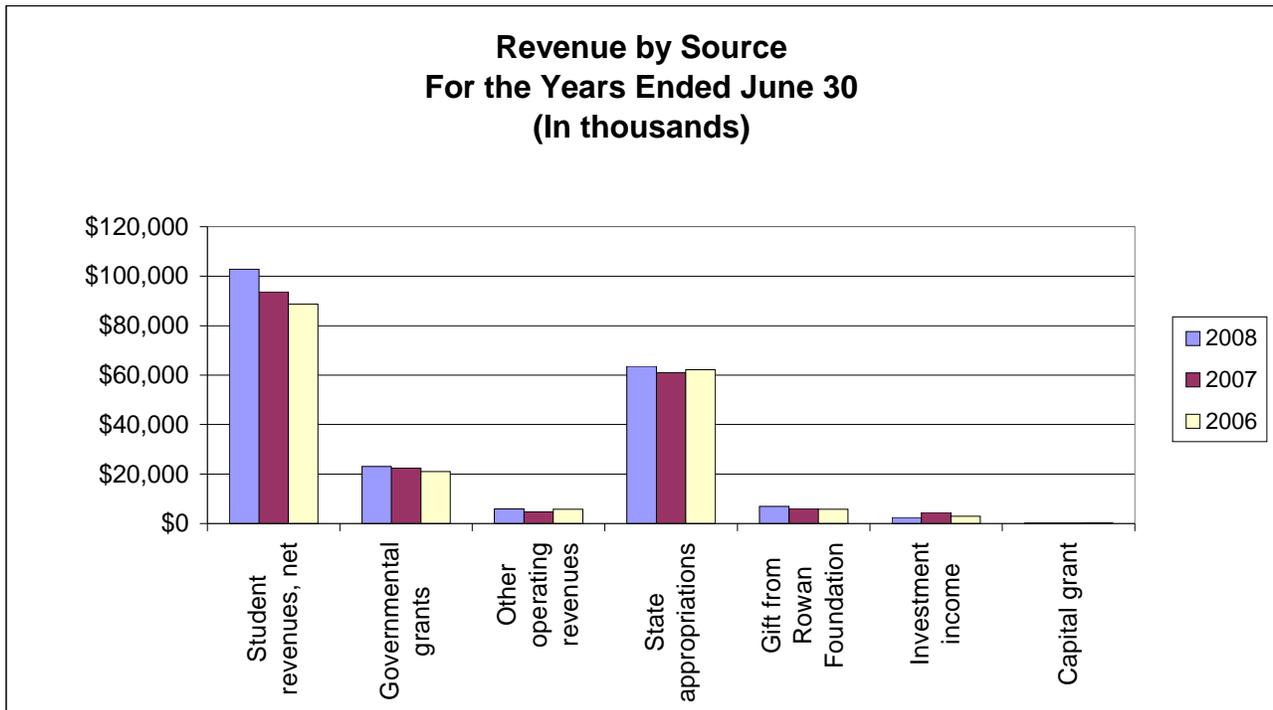
Nonoperating revenue for the years ended June 30, 2007 and 2006 totaled \$71,653,064 and \$71,822,588, respectively. The primary source of nonoperating revenue was the State of New Jersey appropriations and fringe benefits of \$60,984,205 and \$62,176,537, respectively. The other components of nonoperating revenues were the \$6,071,702 and \$5,818,182, respectively, gifts from Rowan University Foundation, investment income of \$4,443,793 and \$2,916,137, respectively, other nonoperating revenue of \$0 and \$608,979, respectively, and capital grants of \$153,364, and \$302,753, respectively.

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The Statements of Revenues, Expenses, and Changes in Net Assets revealed the University had an increase of \$4,437,484 and \$11,959,881 in net assets for the years ended June 30, 2007 and 2006, respectively.



Operating revenues for these periods totaled \$131,738,361, \$120,920,881, and \$115,488,240, respectively, causing losses from operations of \$56,932,581, \$59,341,046, and \$53,123,961, respectively.

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, 2008, 2007, and 2006, the University incurred operating expenses totaling \$188,670,942, \$180,261,927, and \$168,612,201, respectively.

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A summary of operating expenses for the years ended June 30, 2008, 2007, and 2006 follows:

	2008		2007		2006	
	<u>Amount</u>	<u>% of total</u>	<u>Amount</u>	<u>% of total</u>	<u>Amount</u>	<u>% of total</u>
	(Amounts in thousands)					
Instruction	\$ 68,546	36.3%	\$ 65,561	36.4%	\$ 60,770	36.0%
Research	1,785	0.9	2,182	1.2	2,087	1.2
Public service	2,043	1.1	1,949	1.1	1,694	1.0
Academic support	14,466	7.7	15,733	8.7	14,981	8.9
Student services	14,894	7.9	13,880	7.7	13,350	7.9
Institutional support	28,976	15.4	25,404	14.1	24,466	14.5
Operation and maintenance	21,997	11.7	19,252	10.7	18,523	11.0
Student aid	803	0.4	901	0.5	895	0.5
Auxiliary enterprises	17,983	9.5	20,119	11.1	19,160	11.4
Depreciation/amortization	17,178	9.1	15,281	8.5	12,687	7.5
Total operating expenses	<u>\$ 188,671</u>	<u>100.0%</u>	<u>\$ 180,262</u>	<u>100.0%</u>	<u>\$ 168,613</u>	<u>100.0%</u>

Capital Assets and Debt Activities

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

The University has embarked on an aggressive multi-year improvement plan that should earn it a national reputation for excellence and innovation and make it the public university of choice in the region. Development of the new Master Plan is being guided by input from a broad cross-section of the University community: faculty, students, staff and administrators, as well as external stakeholders from the surrounding municipalities.

Total capital additions were \$24.1 million, \$30.3 million, and \$42.7 million for the years ended June 30, 2008, 2007, and 2006, respectively. The major activities were the completion of deferred maintenance projects, upgrades to the University's infrastructure, as well as purchase of additional land which will be used for future expansion.

As of June 30, 2008, 2007, and 2006, the University had \$81.5 million, \$84.0 million, and \$80.6 million, respectively, invested in capital assets, net of related debt. Outstanding bonds as of June 30, 2008 were \$331.8 million, compared to \$338.7 million as of June 30, 2007.

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June 30, 2008 and 2007

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 general operations appropriation from the State of New Jersey increased from fiscal year 2007 to fiscal year 2008, 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 on its capital assets will also impact on the University's financial outlook. The University will continue to meet the goals of its mission by monitoring operating costs and seeking additional revenue sources. The University will continue to monitor the situation and maintain a close watch over resources so as to provide the University with the ability to react to potential budgetary challenges that may occur.

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



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Independent Auditors' Report

The Board of Trustees
Rowan University:

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Rowan University (the University), a component unit of the State of New Jersey, as of and for the years ended June 30, 2008 and 2007, which collectively comprise the University's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of Rowan University as of June 30, 2008 and 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis on pages 1 through 10 is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The University has presented certain information in management's discussion and analysis that is not required by U.S. generally accepted accounting principles.

KPMG LLP

December 12, 2008

ROWAN UNIVERSITY
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Statement of Net Assets
June 30, 2008

Assets	Rowan University	Rowan University Foundation	Total
Current assets:			
Cash and cash equivalents (notes 2 and 12)	\$ 65,064,664	5,590,748	70,655,412
Receivables:			
Students, less allowance of \$718,000	1,040,493	—	1,040,493
Contributions, net	—	549,209	549,209
Grants	1,840,205	—	1,840,205
State of New Jersey	1,430,342	—	1,430,342
Due from South Jersey Technology Park at Rowan University	1,077,954	—	1,077,954
Interest and other	1,130,286	—	1,130,286
Total receivables	<u>6,519,280</u>	<u>549,209</u>	<u>7,068,489</u>
Inventories	192,100	—	192,100
Deposits held by bond trustees (note 3)	13,174,537	—	13,174,537
Other current assets	927,812	2,671	930,483
Total current assets	<u>85,878,393</u>	<u>6,142,628</u>	<u>92,021,021</u>
Noncurrent assets:			
Deposits held by bond trustees (note 3)	64,953,057	—	64,953,057
Investments, at fair value (notes 2 and 12)	1,237,220	46,118,071	47,355,291
Endowment investments, at fair value (note 12)	—	108,603,684	108,603,684
Contributions receivable, net	—	5,557,941	5,557,941
Deferred financing costs, net of accumulated amortization	3,799,439	—	3,799,439
Capital assets, net (note 4)	366,557,616	—	366,557,616
Total noncurrent assets	<u>436,547,332</u>	<u>160,279,696</u>	<u>596,827,028</u>
Total assets	<u>522,425,725</u>	<u>166,422,324</u>	<u>688,848,049</u>
	Liabilities		
Current liabilities:			
Accounts payable and accrued expenses (note 7)	11,137,333	12,765	11,150,098
Due to State of New Jersey	65,774	—	65,774
Deferred revenue	5,665,388	54,214	5,719,602
Annuities payable - current portion	—	85,675	85,675
Compensated absences – current portion (note 10)	1,906,138	40,000	1,946,138
Accrued interest payable	7,195,342	—	7,195,342
Bonds payable – current portion (notes 8 and 10)	4,545,000	—	4,545,000
Other long-term debt – current portion (notes 9 and 10)	598,292	—	598,292
Total current liabilities	<u>31,113,267</u>	<u>192,654</u>	<u>31,305,921</u>
Noncurrent liabilities (note 10):			
Student housing deposits	867,300	—	867,300
Compensated absences – noncurrent portion	1,572,425	160,000	1,732,425
Other liabilities	415,913	—	415,913
Deposits held in custody for others	1,409,947	1,226,148	2,636,095
Bonds payable – noncurrent portion (note 8)	327,238,403	—	327,238,403
Other long-term debt – noncurrent portion (note 9)	7,918,368	—	7,918,368
Annuities payable - noncurrent portion	—	356,882	356,882
Total noncurrent liabilities	<u>339,422,356</u>	<u>1,743,030</u>	<u>341,165,386</u>
Total liabilities	<u>370,535,623</u>	<u>1,935,684</u>	<u>372,471,307</u>
	Net Assets		
Invested in capital assets, net of related debt	81,545,107	—	81,545,107
Restricted:			
Nonexpendable	—	108,603,684	108,603,684
Expendable:			
Renewal and replacement	650,000	—	650,000
Debt service	4,545,000	—	4,545,000
Debt service reserve	16,003,700	—	16,003,700
Inductotherm Scholarships	—	2,945,945	2,945,945
Other scholarships	—	1,143,993	1,143,993
Capital construction	—	84,597	84,597
College of Business	—	5,635,000	5,635,000
Other scholarships	—	728,329	728,329
Unrestricted (note 11)	49,146,295	45,345,092	94,491,387
Total net assets	<u>\$ 151,890,102</u>	<u>164,486,640</u>	<u>316,376,742</u>

See accompanying notes to financial statements.

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(A Component Unit of the State of New Jersey)
Statement of Net Assets
June 30, 2007

Assets	Rowan University	Rowan University Foundation	Total
Current assets:			
Cash and cash equivalents (notes 2 and 12)	\$ 46,087,422	6,778,463	52,865,885
Receivables:			
Students, less allowance of \$824,000	1,394,220	—	1,394,220
Contributions, net	—	643,424	643,424
Grants	2,312,629	—	2,312,629
State of New Jersey	1,889,298	—	1,889,298
Due from Rowan University Foundation	1,263,462	—	1,263,462
Due from South Jersey Technology Park at Rowan University	1,000,000	—	1,000,000
Interest and other	1,648,619	—	1,648,619
Total receivables	<u>9,508,228</u>	<u>643,424</u>	<u>10,151,652</u>
Inventories	1,263,002	—	1,263,002
Deposits held by bond trustees (note 3)	15,075,462	—	15,075,462
Other current assets	420,465	9,088	429,553
Total current assets	<u>72,354,579</u>	<u>7,430,975</u>	<u>79,785,554</u>
Noncurrent assets:			
Deposits held by bond trustees (note 3)	87,313,435	—	87,313,435
Investments, at fair value (notes 2 and 12)	1,232,336	61,645,210	62,877,546
Endowment investments, at fair value (note 12)	—	107,934,819	107,934,819
Contributions receivable, net	—	6,310,891	6,310,891
Deferred financing costs, net of accumulated amortization	4,010,169	—	4,010,169
Capital assets, net (note 4)	360,180,417	—	360,180,417
Total noncurrent assets	<u>452,736,357</u>	<u>175,890,920</u>	<u>628,627,277</u>
Total assets	<u>525,090,936</u>	<u>183,321,895</u>	<u>708,412,831</u>
	Liabilities		
Current liabilities:			
Accounts payable and accrued expenses (note 7)	11,945,589	23,045	11,968,634
Due to Rowan University	—	1,263,462	1,263,462
Due to State of New Jersey	288,007	—	288,007
Deferred revenue	5,053,170	183,022	5,236,192
Annuities payable - current portion	—	83,738	83,738
Compensated absences - current portion	2,036,552	—	2,036,552
Accrued interest payable	5,765,568	—	5,765,568
Bonds payable - current portion (note 8)	7,280,000	—	7,280,000
Other long-term debt - current portion (note 9)	571,414	—	571,414
Total current liabilities	<u>32,940,300</u>	<u>1,553,267</u>	<u>34,493,567</u>
Noncurrent liabilities (note 10):			
Student housing deposits	929,482	—	929,482
Compensated absences - noncurrent portion	1,627,732	200,000	1,827,732
Other liabilities	566,306	—	566,306
Deposits held in custody for others	1,233,577	1,285,802	2,519,379
Bonds payable - noncurrent portion (note 8)	331,425,981	—	331,425,981
Other long-term debt - noncurrent portion (note 9)	8,519,710	—	8,519,710
Annuities payable - noncurrent portion	—	361,589	361,589
Total noncurrent liabilities	<u>344,302,788</u>	<u>1,847,391</u>	<u>346,150,179</u>
Total liabilities	<u>377,243,088</u>	<u>3,400,658</u>	<u>380,643,746</u>
	Net Assets		
Invested in capital assets, net of related debt	83,974,682	—	83,974,682
Restricted:			
Nonexpendable	—	107,934,819	107,934,819
Expendable:			
Renewal and replacement	500,000	—	500,000
Debt service	7,280,000	—	7,280,000
Debt service reserve	15,600,154	—	15,600,154
Inductotherm Scholarships	—	3,894,709	3,894,709
Other scholarships	—	948,589	948,589
Capital construction	—	74,258	74,258
College of Business	—	5,966,473	5,966,473
Other	—	917,727	917,727
Unrestricted	40,493,012	60,184,662	100,677,674
Total net assets	<u>\$ 147,847,848</u>	<u>179,921,237</u>	<u>327,769,085</u>

See accompanying notes to financial statements.

ROWAN UNIVERSITY
(A Component Unit of the State of New Jersey)
Statement of Revenues, Expenses, and Changes in Net Assets
Year ended June 30, 2008

	<u>Rowan University</u>	<u>Rowan University Foundation</u>	<u>Total</u>
Operating revenues:			
Net student revenues:			
Tuition and fees	\$ 94,223,156	—	94,223,156
Auxiliary enterprises	30,450,563	—	30,450,563
Less scholarship allowances	(21,842,933)	—	(21,842,933)
Net student revenues	102,830,786	—	102,830,786
Grants	22,987,302	—	22,987,302
Self-funded programs	5,408,710	—	5,408,710
Fund-raising events	—	83,379	83,379
Contributions	—	1,411,183	1,411,183
Other operating revenues	511,563	—	511,563
Total operating revenues	<u>131,738,361</u>	<u>1,494,562</u>	<u>133,232,923</u>
Operating expenses:			
Instruction	68,546,427	—	68,546,427
Research	1,785,156	—	1,785,156
Public service	2,042,547	—	2,042,547
Academic support	14,466,227	—	14,466,227
Student services	14,893,826	—	14,893,826
Institutional support	28,975,992	298,393	29,274,385
Operation and maintenance of plant	21,997,398	—	21,997,398
Student aid	802,748	—	802,748
Auxiliary enterprises	17,983,004	—	17,983,004
Depreciation and amortization	17,177,617	—	17,177,617
Total operating expenses	<u>188,670,942</u>	<u>298,393</u>	<u>188,969,335</u>
Operating (loss) income	<u>(56,932,581)</u>	<u>1,196,169</u>	<u>(55,736,412)</u>
Nonoperating revenues (expenses):			
State of New Jersey appropriations	38,678,547	—	38,678,547
State of New Jersey fringe benefits (note 5)	24,901,144	—	24,901,144
Student scholarships	—	(972,911)	(972,911)
Gifts from Rowan University Foundation (note 12)	6,986,742	(6,986,742)	—
Other grants	—	(2,163)	(2,163)
Investment income	2,429,222	(8,339,372)	(5,910,150)
Investment expenses	—	(220,822)	(220,822)
Interest on capital asset related debt	(11,668,306)	—	(11,668,306)
Transfer from (to) South Jersey Technology Park at Rowan University	551,085	(600,000)	(48,915)
Other nonoperating revenue, net	(1,056,963)	(63,892)	(1,120,855)
Net nonoperating revenues (expenses)	<u>60,821,471</u>	<u>(17,185,902)</u>	<u>43,635,569</u>
Income (loss) before other revenues	3,888,890	(15,989,733)	(12,100,843)
Additions to permanent endowments	—	555,136	555,136
Capital grants	153,364	—	153,364
Increase (decrease) in net assets	4,042,254	(15,434,597)	(11,392,343)
Net assets as of beginning of year	<u>147,847,848</u>	<u>179,921,237</u>	<u>327,769,085</u>
Net assets as of end of year	<u>\$ 151,890,102</u>	<u>164,486,640</u>	<u>316,376,742</u>

See accompanying notes to financial statements.

ROWAN UNIVERSITY
(A Component Unit of the State of New Jersey)
Statement of Revenues, Expenses, and Changes in Net Assets
Year ended June 30, 2007

	<u>Rowan University</u>	<u>Rowan University Foundation</u>	<u>Total</u>
Operating revenues:			
Net student revenues:			
Tuition and fees	\$ 83,740,485	—	83,740,485
Auxiliary enterprises	29,489,859	—	29,489,859
Less scholarship allowances	(19,447,164)	—	(19,447,164)
Net student revenues	93,783,180	—	93,783,180
Grants	22,432,379	—	22,432,379
Self-funded programs	4,491,907	—	4,491,907
Fund-raising events	—	81,076	81,076
Contributions	—	2,786,194	2,786,194
Other operating revenues	213,415	—	213,415
Total operating revenues	<u>120,920,881</u>	<u>2,867,270</u>	<u>123,788,151</u>
Operating expenses:			
Instruction	65,560,978	—	65,560,978
Research	2,182,968	—	2,182,968
Public service	1,948,759	—	1,948,759
Academic support	15,732,849	—	15,732,849
Student services	13,879,752	—	13,879,752
Institutional support	25,404,522	181,059	25,585,581
Operation and maintenance of plant	19,251,648	—	19,251,648
Student aid	900,927	—	900,927
Auxiliary enterprises	20,118,809	—	20,118,809
Depreciation and amortization	15,280,715	—	15,280,715
Total operating expenses	<u>180,261,927</u>	<u>181,059</u>	<u>180,442,986</u>
Operating (loss) income	<u>(59,341,046)</u>	<u>2,686,211</u>	<u>(56,654,835)</u>
Nonoperating revenues (expenses):			
State of New Jersey appropriations	36,488,000	—	36,488,000
State of New Jersey fringe benefits (note 5)	24,496,205	—	24,496,205
Student scholarships	—	(825,818)	(825,818)
Gifts from Rowan University Foundation (note 12)	6,071,702	(6,071,702)	—
Other grants	—	(2,783)	(2,783)
Investment income	4,443,793	25,343,414	29,787,207
Investment expenses	—	(195,009)	(195,009)
Interest on capital asset related debt	(7,184,227)	—	(7,184,227)
Transfer to South Jersey Technology Park at Rowan University	(551,085)	(524,397)	(1,075,482)
Other nonoperating revenue, net	(139,222)	(208,387)	(347,609)
Net nonoperating revenues	<u>63,625,166</u>	<u>17,515,318</u>	<u>81,140,484</u>
Income before other revenues	4,284,120	20,201,529	24,485,649
Additions to permanent endowments	—	607,791	607,791
Capital grants	153,364	—	153,364
Increase in net assets	4,437,484	20,809,320	25,246,804
Net assets as of beginning of year	<u>143,410,364</u>	<u>159,111,917</u>	<u>302,522,281</u>
Net assets as of end of year	<u>\$ 147,847,848</u>	<u>179,921,237</u>	<u>327,769,085</u>

See accompanying notes to financial statements.

ROWAN UNIVERSITY
(A Component Unit of the State of New Jersey)
Statements of Cash Flows
(Business-Type Activities – Rowan University only)
Years ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Student revenues	\$ 103,290,513	92,971,545
Government grants	23,459,726	22,801,887
Payments to suppliers	(43,854,328)	(50,156,946)
Payments for employee salaries and benefits	(100,662,713)	(94,235,115)
Self-funded programs and other receipts	5,825,288	4,075,143
Net cash used by operating activities	<u>(11,941,514)</u>	<u>(24,543,486)</u>
Cash flows from noncapital financing activities:		
State of New Jersey appropriations	38,678,547	36,908,500
Gifts	8,250,204	4,808,240
Net cash provided by noncapital financing activities	<u>46,928,751</u>	<u>41,716,740</u>
Cash flows from capital and related financing activities:		
Drawdown of deposits held by bond trustees	24,401,104	32,086,915
Bonds proceeds	35,665,939	209,143,924
Capital grants	153,364	153,364
Defeasement of debt	(35,011,500)	(147,448,801)
Bond issuance costs	(654,439)	(2,699,882)
Deposits made with trustees	—	(58,995,241)
Purchases of capital assets	(22,206,316)	(25,521,099)
Principal paid on capital debt	(7,854,464)	(6,126,850)
Interest paid on capital debt	(14,093,684)	(13,959,052)
Net cash used by capital and related financing activities	<u>(19,599,996)</u>	<u>(13,366,722)</u>
Cash flows from investing activities:		
Interest on investments	3,590,001	3,505,557
Net increase in cash and cash equivalents	18,977,242	7,312,089
Cash and cash equivalents as of beginning of the year	46,087,422	38,775,333
Cash and cash equivalents as of end of the year	<u>\$ 65,064,664</u>	<u>46,087,422</u>
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (56,932,581)	(59,341,046)
Adjustments to reconcile operating loss to net cash used by operating activities:		
State paid fringe benefits	24,901,144	24,496,205
Depreciation and amortization expense	17,177,617	15,280,715
Changes in assets and liabilities:		
Receivables	2,988,948	(2,604,406)
Inventories	1,070,902	(75,994)
Other current assets	(507,347)	109,745
Accounts payable and accrued expenses	(808,256)	(2,887,070)
Due to State of New Jersey	(222,233)	256,727
Deferred revenue	612,218	(122,171)
Student housing deposits	(62,182)	128,839
Compensated absences	(185,721)	201,390
Other liabilities	(150,393)	213,755
Deposits held in custody for others	176,370	(200,175)
Net cash used by operating activities	<u>\$ (11,941,514)</u>	<u>(24,543,486)</u>

See accompanying notes to financial statements.

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

Notes to Financial Statements

June 30, 2008 and 2007

(1) Organization and Summary of Significant Accounting Policies

Organization

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

The University is recognized as a public institution by the State of New Jersey (the State). Under the law, the University is an instrumentality of the State of New Jersey with a high degree of autonomy. However, under Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, the University is considered a component unit of the State of New Jersey for financial reporting purposes. Accordingly, the financial statements of the University are included in the State's Comprehensive Annual Financial Report.

Summary of Significant Accounting Policies

Basis of Presentation

The accounting policies of the University conform to accounting principles generally accepted in the United States of America as applicable to public colleges and universities. The University reports are based on all applicable GASB pronouncements as well as applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Review Boards of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

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

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

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

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

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

Notes to Financial Statements

June 30, 2008 and 2007

- *Unrestricted:* Net assets that are not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of management or the board of trustees or may otherwise be limited by contractual agreements with outside parties.

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

Measurement Focus and Basis of Accounting

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

Cash and Cash Equivalents

The University classifies as cash equivalents, funds that are in short-term, highly liquid investments, and are readily convertible to known amounts of cash.

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

Investments

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

Capital Assets

Capital assets include land, land improvements, buildings, and equipment. Such assets are recorded at historical cost. 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. Capital assets are depreciated using the straight-line method over the following useful lives:

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

Deferred Financing Costs

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

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

Notes to Financial Statements

June 30, 2008 and 2007

Deposits Held in Custody for Others

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

Financial Dependency

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

Student Tuition and Fees

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

Grants and Contracts

All grants and contracts are recognized as the related expenses are incurred. Amounts received from grants and contracts, which have not yet been earned under the terms of the agreement are recorded as deferred revenue in the accompanying statements of net assets.

Classification of Revenue

The University's policy for defining operating activities in the statements of revenues, expenses, and changes in net assets are those that serve the University's principal purpose and generally result from exchange transactions such as the payment received for services and payment made for the purchase of goods and services. Examples include (1) student tuition and fees, net of scholarship allowances, and (2) most Federal, State, and private grants and contracts. Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as operating appropriations from the state, private gifts, and investment income.

Use of Estimates

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

Tax Status

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

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

Notes to Financial Statements

June 30, 2008 and 2007

(2) Cash, Cash Equivalents, and Investments

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

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

Cash, cash equivalents, and investments are carried in the financial statements at fair value and consist of the following as of June 30, 2008 and 2007:

	2008	2007
Cash	\$ 11,995,001	2,789,432
State of New Jersey Cash Management Fund	44,678,919	1,133,070
Money market funds and certificates of deposit	8,390,744	42,164,920
Total cash and cash equivalents	\$ 65,064,664	46,087,422
Investments:		
U.S. Treasury notes	\$ 721,885	654,342
TIAA-CREF mutual fund	515,335	577,994
Total investments	\$ 1,237,220	1,232,336

The University's investment at TIAA-CREF and State of New Jersey Cash Management Fund are unrated.

The University's investments and deposits held by bond trustees are subject to various risks. Among these risks are credit risk, concentration of 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). The University's investment policy requires that U.S. Agency bonds are rated Aaa/AAA by Moody's and the corporate bonds are rated Baa.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University's investment policy does not specifically address limitations in the maturities of investments. See table in note 3 for ratings of deposits held by bond trustees.

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

Notes to Financial Statements

June 30, 2008 and 2007

(3) Deposits Held by Bond Trustees

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

	2008	2007
Construction funds	\$ 53,303,054	74,436,552
Renewal and replacement funds	651,790	155,407
Debt service reserve funds	10,998,213	12,721,476
Debt service funds	13,174,537	15,075,462
	78,127,594	102,388,897
Less current portion	13,174,537	15,075,462
Noncurrent deposits held by bond trustees	\$ 64,953,057	87,313,435

Deposits held by trustees were \$78,127,594 and \$102,388,897 as of June 30, 2008 and 2007, respectively. Of these amounts, \$55,520,267 and \$82,582,028 as of June 30, 2008 and 2007, respectively, were invested in fixed income holdings, with the remainder in money market investments.

The following tables summarize the maturities and agency ratings of the fixed income securities included in the University's deposits held by bond trustees as of June 30, 2008 and 2007:

2008	Rating	Market value	Less than 1 year	1-5 years
Treasury bills and notes	AAA	\$ 55,520,267	55,520,267	—
		\$ 55,520,267	55,520,267	—
2007	Rating	Market value	Less than 1 year	1-5 years
Treasury bills and notes	AAA	\$ 82,582,028	81,596,741	985,287
		\$ 82,582,028	81,596,741	985,287

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

Notes to Financial Statements

June 30, 2008 and 2007

(4) Capital Assets

The detail of capital assets activity for the years ended June 30, 2008 and 2007 follows:

<u>2008</u>	<u>Beginning balance</u>	<u>Additions</u>	<u>Deletions/ transfers</u>	<u>Ending balance</u>
Nondepreciable assets:				
Land	\$ 32,776,586	1,246,899	(85,141)	33,938,344
Construction in progress	<u>35,399,448</u>	<u>28,756,915</u>	<u>(25,292,063)</u>	<u>38,864,300</u>
Total nondepreciable assets	<u>68,176,034</u>	<u>30,003,814</u>	<u>(25,377,204)</u>	<u>72,802,644</u>
Depreciable assets:				
Land improvements	22,853,970	3,497,479	—	26,351,449
Buildings	358,037,132	10,539,003	(2,814,748)	365,761,387
Equipment	<u>16,055,810</u>	<u>5,341,475</u>	<u>—</u>	<u>21,397,285</u>
Total depreciable assets	<u>396,946,912</u>	<u>19,377,957</u>	<u>(2,814,748)</u>	<u>413,510,121</u>
Less accumulated depreciation:				
Land improvements	6,249,378	1,229,460	—	7,478,838
Buildings	89,968,284	13,423,846	(1,824,550)	101,567,580
Equipment	<u>8,724,867</u>	<u>1,983,864</u>	<u>—</u>	<u>10,708,731</u>
Total accumulated depreciation	<u>104,942,529</u>	<u>16,637,170</u>	<u>(1,824,550)</u>	<u>119,755,149</u>
Total capital assets, net	<u>\$ 360,180,417</u>	<u>32,744,601</u>	<u>(26,367,402)</u>	<u>366,557,616</u>

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

Notes to Financial Statements

June 30, 2008 and 2007

<u>2007</u>	<u>Beginning balance</u>	<u>Additions</u>	<u>Deletions/ transfers</u>	<u>Ending balance</u>
Nondepreciable assets:				
Land	\$ 31,260,467	2,067,204	(551,085)	32,776,586
Construction in progress	53,271,502	29,693,684	(47,565,738)	35,399,448
Total nondepreciable assets	<u>84,531,969</u>	<u>31,760,888</u>	<u>(48,116,823)</u>	<u>68,176,034</u>
Depreciable assets:				
Land improvements	19,006,348	3,847,622	—	22,853,970
Buildings	316,386,220	41,650,912	—	358,037,132
Equipment	15,390,581	665,229	—	16,055,810
Total depreciable assets	<u>350,783,149</u>	<u>46,163,763</u>	<u>—</u>	<u>396,946,912</u>
Less accumulated depreciation:				
Land improvements	5,203,545	1,045,833	—	6,249,378
Buildings	77,788,544	12,179,740	—	89,968,284
Equipment	6,904,467	1,820,400	—	8,724,867
Total accumulated depreciation	<u>89,896,556</u>	<u>15,045,973</u>	<u>—</u>	<u>104,942,529</u>
Total capital assets, net	<u>\$ 345,418,562</u>	<u>62,878,678</u>	<u>(48,116,823)</u>	<u>360,180,417</u>

Depreciation expense for the years ended June 30, 2008 and 2007 was \$16,637,170 and \$15,045,973, respectively. During 2008 and 2007, the University has capitalized interest expense, net of related interest income of \$1,535,396 and \$2,570,813, respectively, in construction in progress in the accompanying statements of net assets. Estimated costs to complete capital projects included in construction in progress as of June 30, 2008 approximates \$16,725,000. Financing for these projects is approximately \$12,059,000 in bond proceeds and \$4,666,000 in University funds.

(5) State of New Jersey Fringe Benefits

The State of New Jersey, through separate appropriations, pays certain fringe benefits, principally pension costs and FICA taxes, on behalf of University employees. The costs of these benefits, \$24,901,144 and \$24,496,205, respectively, for fiscal years 2008 and 2007, were paid directly by the State of New Jersey on behalf of the University and are included in the accompanying financial statements as State of New Jersey fringe benefits revenue and as expenses.

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(6) Retirement Plans

Plan Descriptions

The University participates in several retirement plans covering its employees – Public Employees' Retirement System (PERS), the Alternate Benefit Program (ABP), and the Teachers' Pension and Annuity Fund (TPAF). Generally all employees, except certain part-time employees, participate in one of these plans.

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

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

Certain faculty members of the University participate in the TPAF, which is a State of New Jersey cost-sharing, single-employer defined benefit pension plan. TPAF was established under the provisions of N.J.S.A. 18A:66 to provide coverage to substantially all full-time public school teachers of the State of New Jersey. Although this is still an active plan at the University, it is closed to new membership.

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

PERS Funding Policies

PERS members are required to contribute 5.5% of their annual covered salary and the University is required to contribute at an actuarially determined rate. The State of New Jersey contributes to PERS on behalf of the University. Employers were not required to contribute in 2008 or 2007 due to legislation enacted in 1997 by the State of New Jersey, which fully funded previously existing unfunded accrued liabilities of PERS through State of New Jersey bonds. The contribution requirements of the plan members and the University are established and may be amended by the State of New Jersey.

Alternate Benefit Program (ABP) Information

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

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Benefits are determined by the amount of individual accumulations and the retirement income option selected. All benefits vest after the completion of one year of service. Individually owned annuity contracts that provide for full ownership of retirement and survivor benefits are purchased at the time of vesting. Participating University employees contribute 5% of salary and may contribute a voluntary additional contribution up to the maximum Federal statutory limit, on a pre-tax basis. Employer contributions are 8%. During the years ended June 30, 2008 and 2007, ABP investment carriers received employer and employee contributions as follows:

	2008	2007
Employer contributions	\$ 3,922,983	3,732,800
Employee contributions	6,553,139	6,476,832
Basis for contributions:		
Participating employee salaries	49,037,293	46,659,998

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

Post Employment Benefits Other than Pensions

The State of New Jersey implemented Government Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for the fiscal year ended June 30, 2008. The State of New Jersey is legally responsible for contributions to the other postemployment benefits plan that covers the employees of the University. The employees of the University are employees of the State of New Jersey, therefore the other postemployment benefit plans liability are reported by the State of New Jersey.

(7) Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of the following as of June 30, 2008 and 2007:

	2008	2007
Vendors and other	\$ 7,564,002	7,832,558
Salaries and benefits	3,573,331	4,113,031
Total accounts payable and accrued expenses	\$ 11,137,333	11,945,589

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(8) Bonds Payable

Capital assets are financed through revenue bonds of the New Jersey Educational Facilities Authority (the Authority). The following obligations to the Authority were outstanding as of June 30, 2008 and 2007:

	<u>Interest rate</u>	<u>2008</u>	<u>2007</u>
Series 1974 E Revenue Bonds, due serially to 2009	7.0%	\$ 805,000	1,170,000
Series 1983 D Revenue Bonds, due serially to 2013	3.0%	1,005,000	1,155,000
Series 2000 B Revenue Bonds, due serially to 2010	5.0% – 5.25%	3,460,000	3,460,000
Series 2001 B Revenue Bonds, due serially to 2011	4.25%	210,000	385,000
Series 2001 C Revenue Refunding Bonds, due serially to 2026	5.0% – 5.25%	42,025,000	43,490,000
Series 2002 K Revenue Bonds, due serially to 2012	4.0%	665,000	950,000
Series 2003 K Revenue Bonds, due serially to 2033	3.5%	—	14,700,000
Series 2003 I Revenue Bonds, due serially to 2013	3.0% – 5.0%	7,820,000	9,145,000
Series 2003 J Revenue Bonds, due serially to 2008	3.0%	1,005,000	1,995,000
Series 2004 C Revenue Bonds, due serially to 2014	4.0% – 5.0%	8,680,000	9,350,000
Series 2005 D Revenue Refunding Bonds, due serially to 2030	3.25% – 5.25%	51,840,000	51,840,000
Series 2006 G Revenue Bonds, due serially to 2031	4.0% – 4.5%	69,405,000	69,405,000
Series 2006 H Revenue Bonds, due serially to 2036	3.56%	—	20,000,000
Series 2007 B Revenue Refunding Bonds, due serially to 2034	3.0% – 5.5%	119,500,000	121,355,000
Series 2008 B Revenue Refunding Bonds, due serially to 2027	4.0% – 5.0%	35,205,000	—
		<u>341,625,000</u>	<u>348,400,000</u>
Less deferred loss on bond refinancing		(9,509,834)	(8,945,997)
Subtract bond discount		(331,763)	(748,022)
Total bonds payable		<u>\$ 331,783,403</u>	<u>338,705,981</u>

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As collateral for the above debt, the University has pledged all net revenue, fees, charges, and rentals derived from the related auxiliary enterprises. Future annual debt service requirements approximate the following:

	<u>Principal amount</u>	<u>Interest amount</u>	<u>Total amount</u>
Year ending June 30:			
2009	\$ 4,545,000	14,063,000	18,608,000
2010	5,915,000	15,190,000	21,105,000
2011	6,165,000	14,910,000	21,075,000
2012	10,455,000	14,653,000	25,108,000
2013	10,945,000	14,177,000	25,122,000
2014 – 2018	62,545,000	62,864,000	125,409,000
2019 – 2023	79,445,000	46,070,000	125,515,000
2024 – 2028	102,145,000	25,898,000	128,043,000
2029 – 2033	52,035,000	6,736,000	58,771,000
2034	7,430,000	459,000	7,889,000

In March 2008, the Authority issued Series 2008 B Bonds. The issue was comprised of serial bonds totaling \$35,205,000 with coupon rates ranging from 4% to 5% and maturing through 2027. The proceeds will be used to refund all of the outstanding Series 2003 K and Series 2006 H Bonds. The proceeds will also provide funds for the payment of issuance costs for the issue. The University incurred a \$930,994 deferred loss on this refinancing which is being amortized over the life of the Series 2008 B Bonds.

Funds are on deposit with escrow agents to provide for the payment of principal, interest, and call premiums, when due, on Series 2000 B, Series 2001 B, Series 2001 C, Series 2002 K, Series 2003 I, and Series 2004 C Bonds. Accordingly, these bonds are not considered outstanding obligations of the University as of June 30, 2008 and, therefore, are not reflected in the accompanying financial statements. The principal amounts of these bonds were approximately \$176,445,000 and \$190,280,000, respectively, as of June 30, 2008 and 2007.

(9) Other Long-Term Debt

Other long-term debt consists of the following:

- (A) The University leases a portion of a building in the City of Camden from Camden County College. In addition to the lease commitment, the University borrowed \$700,000 from the County of Camden in order to make a single payment to terminate a preexisting lease for space with another lessor. This loan, which bears interest at 6.23%, is to be repaid over a term of 21 years and 2 months ending March 31, 2012. As of June 30, 2008 and 2007, the outstanding obligations were \$229,395 and \$273,232, respectively.

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- (B) The Higher Educational Capital Improvement Fund Act was established to finance capital improvements and related costs at public and private institutions of higher education within the State of New Jersey. Funding was provided from bonds issued by the New Jersey Educational Facilities Authority. The total University allocation for this program was \$23,887,250. The University is required to pay 1/3 of the debt service, including interest at rates ranging from 3.0 – 5.75%, on its allocation of the bond proceeds, plus administrative fees of the trustees and the Authority. The outstanding balances as of June 30, 2008 and 2007 were \$6,988,565 and \$7,258,339, respectively, with maturities through August 15, 2022.
- (C) On August 14, 2001, the New Jersey Educational Facilities Authority issued bonds to finance the University’s loan amount request pursuant to the Dormitory Safety Trust Fund Act (P.L. 2000, C56). The University’s loan under this Act was \$1,780,720 and will be repaid in annual installments from January 15, 2002 through January 15, 2016. The outstanding balances as of June 30, 2008 and 2007 were \$1,012,272 and \$1,140,056, respectively. This loan was non-interest bearing; however, the University has discounted this obligation at 5% equal to \$540,027. This amount is shown as deferred financing costs in the accompanying financial statements and is being amortized over the life of the loan.
- (D) The Higher Education Equipment Leasing Fund Act was established to provide financing for the acquisition of scientific, technical, computer, communications, and instructional equipment and related costs at public and private institutions of higher education within the State of New Jersey. Funding was provided from bonds issued by the New Jersey Educational Facilities Authority. The University allocation from this Act was \$3,213,000. The University is required to pay 1/4 of the debt service, amounting to \$803,250, including interest, on its allocation of the bond proceeds, plus administrative fees of the trustees and the Authority. The outstanding balances as of June 30, 2008 and 2007 were \$286,428 and \$419,497, respectively, with maturities through August 1, 2009.

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

	<u>Principal amount</u>	<u>Interest amount</u>	<u>Total amount</u>
Year ending June 30:			
2009	\$ 598,000	374,000	972,000
2010	622,000	350,000	972,000
2011	493,000	328,000	821,000
2012	514,000	308,000	822,000
2013	500,000	288,000	788,000
2014 – 2018	2,404,000	1,144,000	3,548,000
2019 – 2023	3,386,000	512,000	3,898,000

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(10) Noncurrent Liabilities

Noncurrent liabilities activity for the years ended June 30, 2008 and 2007 was as follows:

<u>2008</u>	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Current portion</u>
Student housing deposits	\$ 929,482	—	62,182	867,300	—
Compensated absences	3,664,284	—	185,721	3,478,563	1,906,138
Other liabilities	566,306	—	150,393	415,913	—
Deposits held in custody for others	1,233,577	176,370	—	1,409,947	—
Bonds payable	338,705,981	35,205,000	42,127,578	331,783,403	4,545,000
Other long-term debt	9,091,124	—	574,464	8,516,660	598,292
Total noncurrent liabilities	<u>\$ 354,190,754</u>	<u>35,381,370</u>	<u>43,100,338</u>	<u>346,471,786</u>	<u>7,049,430</u>
<u>2007</u>	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Current portion</u>
Student housing deposits	\$ 800,643	128,839	—	929,482	—
Compensated absences	3,462,894	201,390	—	3,664,284	2,036,552
Other liabilities	352,551	213,755	—	566,306	—
Deposits held in custody for others	1,433,752	—	200,175	1,233,577	—
Bonds payable	284,626,624	210,760,000	156,680,643	338,705,981	7,280,000
Other long-term debt	9,647,974	—	556,850	9,091,124	571,414
Total noncurrent liabilities	<u>\$ 300,324,438</u>	<u>211,303,984</u>	<u>157,437,668</u>	<u>354,190,754</u>	<u>9,887,966</u>

(11) Commitments and Contingencies

Operating Leases

The University leases certain space and equipment used in general operations. Rental expense was approximately \$522,000 in 2008 and \$520,000 in 2007. The leases are noncancelable and have been classified as operating leases, which are expected to expire through 2013. Minimum annual rental commitments approximate the following:

	<u>Amount</u>
Year ending June 30:	
2009	\$ 327,000
2010	309,000
2011	270,000
2012	264,000
2013	110,000

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Compensated Absences

The University recorded a liability for accumulated vacation time in the amount of approximately \$1,906,000 and \$2,037,000 as of June 30, 2008 and 2007, respectively, which is included in compensated absences in the accompanying statements of net assets. The liability is calculated based upon employees' accrued vacation leave as of the statements of net assets date.

Payments for accumulated sick leave balances are made to retiring employees upon regular retirement. The payment is based on 50% of the employee's sick leave accumulation, at the pay rate in effect at the time of retirement up to a maximum of \$15,000. Employees separating from University service prior to retirement are not entitled to payments for accumulated sick leave balances. Accordingly, the University recorded a liability for accumulated sick leave balances in the amount of approximately \$1,572,000 and \$1,628,000 as of June 30, 2008 and 2007, respectively, which is included in compensated absences in the accompanying statements of net assets.

Unrestricted Net Assets

Net assets are required to be classified for accounting and reporting purposes into one of four net asset categories according to externally imposed restrictions. Unrestricted net assets, as defined by GASB Statement No. 35, are not subject to externally imposed stipulations. They may, however, be subject to internal designations for specific purposes by action of the University management or the University Board of Trustees. Listed below is a detail of unrestricted net assets as of June 30, 2008 and 2007:

	2008	2007
Designated:		
University operating reserve	\$ 5,466,405	5,053,045
Self-supporting programs	3,115,479	2,286,804
Capital reserve for academic buildings	8,438,602	8,422,071
Capital reserve for auxiliary enterprises	10,329,512	7,107,268
Reserve for debt service	21,796,297	17,623,824
Total unrestricted net assets	\$ 49,146,295	40,493,012

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.

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(12) Rowan University Foundation

Component Unit

Rowan University Foundation (the Foundation) is a legally separate, tax-exempt component unit of the University with a fiscal year-end of June 30. The Foundation has received a determination letter from the Internal Revenue Service concluding that it is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation acts primarily as a fund-raising entity to supplement the resources that are available to the University in support of its programs. Although the University does not control the timing or amount of receipts from the Foundation, the Foundation's assets are used exclusively for the benefit, support, and promotion of the University and its educational activities. Because these resources held by the Foundation can only be used by, or are for the benefit of the University, the Foundation is considered a component unit of the University and is discretely presented as part of the University's financial statements in accordance with GASB Statement No. 39.

During the years ended June 30, 2008 and 2007, the University received \$6,986,742 and \$6,071,702 respectively, from the Foundation. Complete financial statements of the Foundation can be obtained from the Office of the Controller, Rowan University, Glassboro, New Jersey.

Cash, Cash Equivalents, Endowment Investments, and Investments

Cash, cash equivalents, endowment investments, and investments of the Foundation are carried in the financial statements at fair value, based on quoted market values and consist of the following as of June 30, 2008 and 2007:

	2008	2007
Cash and cash equivalents	\$ 5,590,748	6,778,463
Investments:		
Bond mutual funds (domestic)	\$ 30,564,515	28,364,271
Common stock mutual funds (domestic)	49,144,360	65,824,103
Common stock mutual funds (international)	32,174,943	37,201,458
Realty investments	9,691,163	7,967,316
Alternative investments	33,146,774	30,222,881
	\$ 154,721,755	169,580,029

For the years ended June 30, 2008 and 2007, the net unrealized (losses) gains on investments were \$(23,839,002) and \$14,086,195 and the net realized gains on investments were \$11,836,047 and \$7,905,849, respectively.

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The Foundation maintains a diverse investment portfolio. Alternative investments include interests in real estate, limited partnerships, and other domestic and international investment funds. These instruments may contain elements of both credit and market risk. Such risks include, but are not limited to, limited liquidity, absence of regulatory oversight, dependence on key individuals, and nondisclosure of portfolio composition. The Foundation reviews the performance and risks associated with these investments on at least a monthly basis. In addition, the Foundation utilizes the services of an investment consultant who continually monitors the individual investment fund performance, any changes in management at the investment fund or any other significant matters affecting the fund and advises the Foundation of any such changes.

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

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

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 (formerly Lehman Brothers Aggregate Index) characteristics with regard to maturity, structure, duration, credit quality, sector distribution, etc.

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.