



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

Basic Financial Statements and
Management's Discussion and Analysis

June 30, 2009 and 2008

(With Independent Auditors' Report Thereon)

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

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ROWAN UNIVERSITY
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Management's Discussion and Analysis

June 30, 2009 and 2008

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, 2009 and 2008, and comparative amounts for the year ended June 30, 2007. 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

Rowan University is a selective, medium-sized public university located in Glassboro, in southern New Jersey, between Philadelphia, PA and Atlantic City, NJ. Courses are also offered at the Camden, NJ campus, two community colleges and online. 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 87 undergraduate majors among six academic colleges (Business, Communication, Education, Engineering, Fine & Performing Arts, and Liberal Arts & Sciences), 38 teacher and professional certification programs, 55 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" Northern Regional University, Rowan University is attracting highly qualified students who are increasingly making Rowan the public university of choice in the region. Rowan University's College of Engineering is ranked 12th nationally by *US News & World Report*, and two of its specializations are in the top ten. The Princeton Review included Rowan in the latest edition of "The Best Northeastern Colleges" and the guidebook, "The Best 366 Colleges." Rowan was selected for the *Colleges of Distinction* and was named one of "America's 100 Best College Buys" by Institutional Research & Evaluation, Inc. The University's College of Business was included in The Princeton Review 2009 edition of its "Best 296 Business Schools."

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.

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Management's Discussion and Analysis

June 30, 2009 and 2008

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 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.

A summary of the University's assets, liabilities, and net assets as of June 30, 2009, 2008, and 2007 follows:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
		(In thousands)	
Current assets	\$ 92,865	84,878	71,355
Noncurrent assets	424,953	437,548	453,736
Total assets	<u>\$ 517,818</u>	<u>522,426</u>	<u>525,091</u>
Current liabilities	\$ 35,964	31,113	32,940
Noncurrent liabilities	333,366	339,423	344,303
Total liabilities	<u>\$ 369,330</u>	<u>370,536</u>	<u>377,243</u>
Net assets:			
Invested in capital assets, net of related debt	\$ 74,663	81,545	83,975
Restricted expendable for:			
Renewal and replacement	650	650	500
Debt service	5,915	4,545	7,280
Debt service reserve	14,521	16,004	15,600
Unrestricted	52,738	49,146	40,493
Total net assets	<u>\$ 148,487</u>	<u>151,890</u>	<u>147,848</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, 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 of accounts payable and accrued expenses, due to the State of New Jersey, compensated absences, accrued interest payable, deferred revenue and the current portion of bonds payable and long-term debt. Noncurrent liabilities consist primarily of bonds payable, long-term debt, compensated absences, and deposits held in custody for others.

Fiscal Year 2009 Compared to 2008

The University's Statement of Net Assets at June 30, 2009 reflects a decrease in total assets of \$4.6 million. Current assets increased \$8.0 million from \$84.9 million at June 30, 2008 to \$92.9 million at June 30, 2009. This increase is primarily a result of increases in cash and cash equivalents of \$3.4 million as well as an increase in total receivables of \$3.6 million. The cash and cash equivalents increase can mainly be attributed to the \$3.7 million increase in self-funded programs revenue.

Noncurrent assets decreased \$12.6 million in the year ended June 30, 2009. The primary cause for this was a decrease of \$20.1 million in the University's deposits held by bond trustees offset by an increase in capital assets of \$7.8 million.

Total net assets decreased by \$3.4 million at June 30, 2009 compared to June 30, 2008. Invested in capital assets, net of related debt decreased \$6.9 million during the respective time period. Unrestricted net assets increased \$3.6. Restricted expendable net assets decreased \$.1 million as a result of a decrease in debt service reserve requirements.

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 \$71.4 million at June 30, 2007 to \$84.9 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.

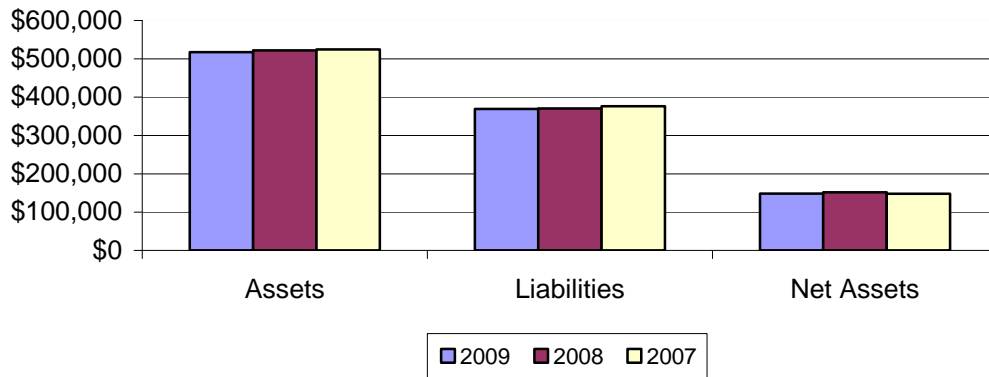
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Management's Discussion and Analysis

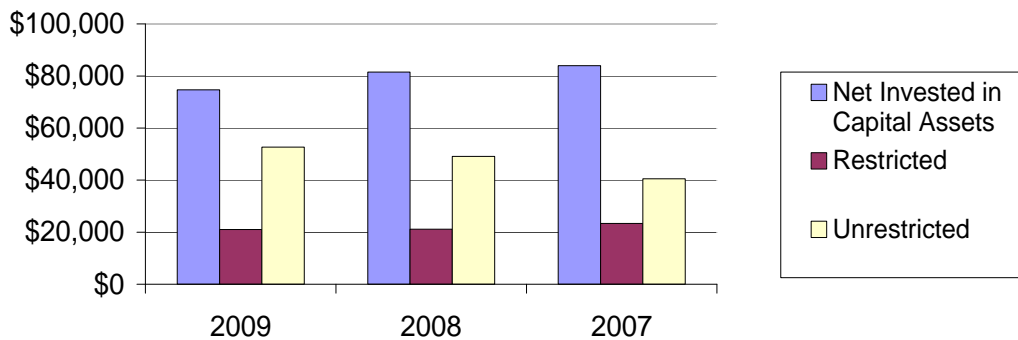
June 30, 2009 and 2008

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.

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



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



ROWAN UNIVERSITY
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Management's Discussion and Analysis

June 30, 2009 and 2008

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, 2009, 2008, and 2007 follows:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
		(In thousands)	
Operating revenues:			
Net student revenues	\$ 103,036	102,831	93,783
Grants	27,024	22,987	22,432
Other	9,581	5,920	4,706
Total operating revenues	<u>139,641</u>	<u>131,738</u>	<u>120,921</u>
Operating expenses	<u>204,457</u>	<u>188,671</u>	<u>180,262</u>
Operating loss	<u>(64,816)</u>	<u>(56,933)</u>	<u>(59,341)</u>
Nonoperating revenues (expenses):			
State appropriations	65,216	63,580	60,984
Gifts	8,178	6,987	6,072
Investment income	1,853	2,429	4,444
Interest on capital asset related debt	(13,670)	(11,668)	(7,184)
Transfer from (to) South Jersey Technology Park at Rowan University	—	551	(551)
Other nonoperating expenses, net	<u>(317)</u>	<u>(1,057)</u>	<u>(139)</u>
Net nonoperating revenues	<u>61,260</u>	<u>60,822</u>	<u>63,626</u>
(Loss) income before other revenues	(3,556)	3,889	4,285
Capital grants	<u>153</u>	<u>153</u>	<u>153</u>
(Decrease) increase in net assets	(3,403)	4,042	4,438
Net assets – beginning of year	<u>151,890</u>	<u>147,848</u>	<u>143,410</u>
Net assets – end of year	<u>\$ 148,487</u>	<u>151,890</u>	<u>147,848</u>

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Fiscal Year 2009 Compared to 2008

The University's net assets decreased by \$3.4 million in fiscal year 2009. This balance represents the total revenue available to the University of \$214.9 million compared to total expenses of \$218.4 million. This decrease can be attributed to the University's decision to use reserves to balance its budget as well as increases in utilities and debt service expenses.

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.

Revenues

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

	<u>2009</u>		<u>2008</u>		<u>2007</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	\$ 103,036	73.8%	\$ 102,831	78.1%	\$ 93,783	77.6%
Grants	27,024	19.3%	22,987	17.4%	22,432	18.5%
Other	9,581	6.9%	5,920	4.5%	4,706	3.9%
Total operating revenues	<u>\$ 139,641</u>	<u>100.0%</u>	<u>\$ 131,738</u>	<u>100.0%</u>	<u>\$ 120,921</u>	<u>100.0%</u>

Operating

Fiscal Year 2009 Compared to 2008

Operating revenues for the years ended June 30, 2009 and 2008 totaled \$139,641,286 and \$131,738,361, respectively. The sources of these revenues were student revenues, net of scholarships of \$103,035,984 and \$102,830,786, respectively, governmental grants of \$27,023,989 and \$22,987,302, respectively, and other revenue of \$9,581,313 and \$5,920,273, respectively. The increase in other revenue is a result of an increase in self-funded programs revenue of \$3,697,119 offset by a decrease in other operating revenue of \$36,079.

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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Nonoperating

Fiscal Year 2009 Compared to 2008

Nonoperating revenue for the years ended June 30, 2009 and 2008 totaled \$75,399,970 and \$73,700,104, respectively. The primary source of nonoperating revenue was the State of New Jersey appropriations and fringe benefits of \$65,215,937 and \$63,579,691, respectively. The other components of nonoperating revenues were gifts from Rowan University Foundation of \$8,177,980 and \$6,986,742, respectively, investment income of \$1,852,689 and \$2,429,222, respectively, and capital grants of \$153,364 in both years.

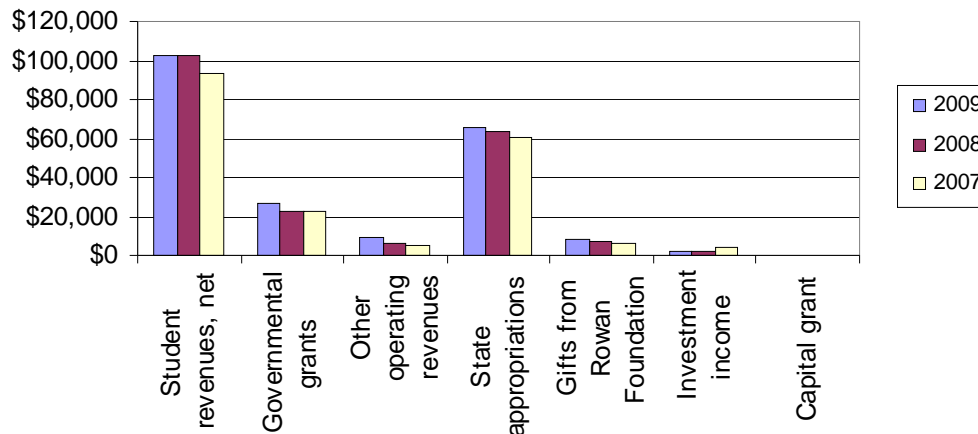
The Statements of Revenues, Expenses, and Changes in Net Assets revealed the University had a decrease of \$3,402,713 and an increase of \$4,042,254 in net assets for the years ended June 30, 2009 and 2008, respectively.

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.

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



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Management's Discussion and Analysis

June 30, 2009 and 2008

Operating revenues for these periods totaled \$139,641,286, \$131,738,361, and \$120,920,881, respectively, causing losses from operations of \$64,815,590, \$56,932,581, and \$59,341,046, 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, 2009, 2008, and 2007, the University incurred operating expenses totaling \$204,456,876, \$188,670,942, and \$180,261,927, respectively.

A summary of operating expenses for the years ended June 30, 2009, 2008, and 2007 follows:

	2009		2008		2007	
	Amount	% of total	Amount	% of total	Amount	% of total
	(Amounts in thousands)					
Instruction	\$ 74,880	36.6%	\$ 68,546	36.3%	\$ 65,561	36.4%
Research	2,652	1.3	1,785	0.9	2,182	1.2
Public service	1,514	0.7	2,043	1.1	1,949	1.1
Academic support	16,420	8.0	14,466	7.7	15,733	8.7
Student services	16,732	8.2	14,894	7.9	13,880	7.7
Institutional support	29,182	14.3	28,976	15.4	25,404	14.1
Operation and maintenance	27,237	13.3	21,997	11.7	19,252	10.7
Student aid	1,488	0.7	803	0.4	901	0.5
Auxiliary enterprises	15,893	7.8	17,983	9.5	20,119	11.1
Depreciation/amortization	18,459	9.1	17,178	9.1	15,281	8.5
Total operating expenses	<u>\$ 204,457</u>	<u>100.0%</u>	<u>\$ 188,671</u>	<u>100.0%</u>	<u>\$ 180,262</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 \$25.7 million, \$24.1 million, and \$30.3 million for the years ended June 30, 2009, 2008, and 2007, 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, 2009, 2008, and 2007, the University had \$74.7 million, \$81.5 million, and \$84.0 million, respectively, invested in capital assets, net of related debt. Outstanding bonds as of June 30, 2009 were \$327.6 million, compared to \$331.8 million as of June 30, 2008.

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June 30, 2009 and 2008

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. The University's general operations appropriation from the State of New Jersey decreased from fiscal year 2008 to fiscal year 2009 and 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 units of Rowan University (the University), a component unit of the State of New Jersey, as of and for the years ended June 30, 2009 and 2008, 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 units of Rowan University as of June 30, 2009 and 2008, 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 9 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

November 24, 2009

ROWAN UNIVERSITY
(A Component Unit of the State of New Jersey)
Statement of Net Assets
June 30, 2009

Assets	Rowan University	Rowan University Foundation	South Jersey Technology Park at Rowan University	Total
Current assets:				
Cash and cash equivalents (notes 2 and 12)	\$ 68,461,226	3,409,598	2,560,855	74,431,679
Receivables:				
Students, less allowance of \$760,000	1,147,501	—	—	1,147,501
Contributions, net	—	539,959	—	539,959
Grants	4,523,381	—	—	4,523,381
State of New Jersey	2,604,124	—	—	2,604,124
Due from South Jersey Technology Park at Rowan University (note 13)	103,490	—	—	103,490
Interest and other	752,051	—	140,442	892,493
Total receivables	9,130,547	539,959	140,442	9,810,948
Inventories	—	—	—	—
Deposits held by bond trustees (note 3)	14,391,702	—	—	14,391,702
Other current assets	881,675	5,694	—	887,369
Total current assets	92,865,150	3,955,251	2,701,297	99,521,698
Noncurrent assets:				
Deposits held by bond trustees (note 3)	44,866,657	—	—	44,866,657
Investments, at fair value (notes 2 and 12)	1,145,501	11,068,061	—	12,213,562
Restricted nonexpendable investments, at fair value (note 12)	—	108,976,733	—	108,976,733
Contributions receivable, net	—	5,167,735	—	5,167,735
Deferred financing costs, net of accumulated amortization	3,593,974	—	—	3,593,974
Due from South Jersey Technology Park at Rowan University (note 13)	1,000,000	—	—	1,000,000
Capital assets, net (note 4)	374,346,373	—	11,606,798	385,953,171
Total noncurrent assets	424,952,505	125,212,529	11,606,798	561,771,832
Total assets	517,817,655	129,167,780	14,308,095	661,293,530
Liabilities				
Current liabilities:				
Accounts payable and accrued expenses (note 7)	12,434,877	32,173	34,952	12,502,002
Due to State of New Jersey	771,645	—	—	771,645
Deferred revenue	6,651,942	53,784	—	6,705,726
Annuities payable – current portion	—	87,054	—	87,054
Compensated absences – current portion (note 10)	1,973,580	40,000	—	2,013,580
Accrued interest payable	7,595,241	—	—	7,595,241
Due to Rowan University (note 13)	—	—	103,490	103,490
Bonds payable – current portion (notes 8 and 10)	5,915,000	—	—	5,915,000
Other long-term debt – current portion (notes 9 and 10)	621,544	—	—	621,544
Total current liabilities	35,963,829	213,011	138,442	36,315,282
Noncurrent liabilities (note 10):				
Student housing deposits	825,600	—	—	825,600
Compensated absences – noncurrent portion	1,686,534	120,000	—	1,806,534
Other liabilities	442,245	—	—	442,245
Deposits held in custody for others	1,424,162	1,028,758	—	2,452,920
Bonds payable – noncurrent portion (note 8)	321,691,151	—	—	321,691,151
Other long-term debt – noncurrent portion (note 9)	7,296,745	—	5,000,000	12,296,745
Due to Rowan University (note 13)	—	—	1,000,000	1,000,000
Annuities payable – noncurrent portion	—	407,043	—	407,043
Total noncurrent liabilities	333,366,437	1,555,801	6,000,000	340,922,238
Total liabilities	369,330,266	1,768,812	6,138,442	377,237,520
Net Assets				
Invested in capital assets, net of related debt	74,662,978	—	5,606,798	80,269,776
Restricted:				
Nonexpendable	—	108,976,733	—	108,976,733
Expendable:				
Renewal and replacement	650,000	—	—	650,000
Debt service	5,915,000	—	—	5,915,000
Debt service reserve	14,520,800	—	—	14,520,800
Inductotherm Scholarships	—	2,578,023	—	2,578,023
Other scholarships	—	837,157	—	837,157
Capital construction	—	87,734	—	87,734
College of Business	—	5,420,000	—	5,420,000
Other scholarships	—	621,958	—	621,958
Unrestricted (note 11)	52,738,611	8,877,363	2,562,855	64,178,829
Total net assets	\$ 148,487,389	127,398,968	8,169,653	284,056,010

See accompanying notes to financial statements.

ROWAN UNIVERSITY
(A Component Unit of the State of New Jersey)
Statement of Net Assets
June 30, 2008

Assets	Rowan University	Rowan University Foundation	South Jersey Technology Park at Rowan University	Total
Current assets:				
Cash and cash equivalents (notes 2 and 12)	\$ 65,064,664	5,590,748	2,792,757	73,448,169
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 (note 13)	77,954	—	—	77,954
Interest and other	1,130,286	—	44,206	1,174,492
Total receivables	5,519,280	549,209	44,206	6,112,695
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	84,878,393	6,142,628	2,836,963	93,857,984
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
Restricted nonexpendable 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
Due from South Jersey Technology Park at Rowan University (note 13)	1,000,000	—	—	1,000,000
Capital assets, net (note 4)	366,557,616	—	11,402,425	377,960,041
Total noncurrent assets	437,547,332	160,279,696	11,402,425	609,229,453
Total assets	522,425,725	166,422,324	14,239,388	703,087,437
Liabilities				
Current liabilities:				
Accounts payable and accrued expenses (note 7)	11,137,333	12,765	130,620	11,280,718
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
Due to Rowan University (note 13)	—	—	77,954	77,954
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	31,113,267	192,654	208,574	31,514,495
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	—	5,000,000	12,918,368
Due to Rowan University (note 13)	—	—	1,000,000	1,000,000
Annuities payable – noncurrent portion	—	356,882	—	356,882
Total noncurrent liabilities	339,422,356	1,743,030	6,000,000	347,165,386
Total liabilities	370,535,623	1,935,684	6,208,574	378,679,881
Net Assets				
Invested in capital assets, net of related debt	81,545,107	—	5,293,723	86,838,830
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	2,737,091	97,228,478
Total net assets	\$ 151,890,102	164,486,640	8,030,814	324,407,556

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, 2009

	<u>Rowan University</u>	<u>Rowan University Foundation</u>	<u>South Jersey Technology Park at Rowan University</u>	<u>Total</u>
Operating revenues:				
Net student revenues:				
Tuition and fees	\$ 101,065,382	—	—	101,065,382
Auxiliary enterprises	28,272,581	—	—	28,272,581
Less scholarship allowances	(26,301,979)	—	—	(26,301,979)
Net student revenues	103,035,984	—	—	103,035,984
Grants	27,023,989	—	—	27,023,989
Self-funded programs	9,105,829	—	—	9,105,829
Fund-raising events	—	71,514	—	71,514
Contributions	—	2,390,747	—	2,390,747
Rental income (note 13)	—	—	461,785	461,785
Other operating revenues	475,484	—	—	475,484
Total operating revenues	139,641,286	2,462,261	461,785	142,565,332
Operating expenses:				
Instruction	74,879,667	—	—	74,879,667
Research	2,652,246	—	—	2,652,246
Public service	1,514,459	—	—	1,514,459
Academic support	16,420,037	—	—	16,420,037
Student services	16,732,138	—	—	16,732,138
Institutional support	29,181,532	186,808	502,636	29,870,976
Operation and maintenance of plant	27,236,848	—	98,050	27,334,898
Student aid	1,488,524	—	—	1,488,524
Auxiliary enterprises	15,892,669	—	—	15,892,669
Depreciation and amortization	18,458,756	—	144,849	18,603,605
Total operating expenses	204,456,876	186,808	745,535	205,389,219
Operating (loss) income	(64,815,590)	2,275,453	(283,750)	(62,823,887)
Nonoperating revenues (expenses):				
State of New Jersey appropriations	35,799,500	—	—	35,799,500
State of New Jersey fringe benefits (note 5)	29,416,437	—	—	29,416,437
Student scholarships	—	(1,047,964)	—	(1,047,964)
Gifts from Rowan University Foundation (note 12)	8,177,980	(8,177,980)	—	—
Other grants	—	(3,862)	—	(3,862)
Investment income	1,852,689	(29,628,731)	31,061	(27,744,981)
Investment expenses	—	(368,141)	—	(368,141)
Interest on capital asset related debt	(13,670,018)	—	(308,472)	(13,978,490)
Transfer from (to) South Jersey Technology Park at Rowan University	—	(200,000)	200,000	—
Other nonoperating expenses, net	(317,075)	(131,366)	—	(448,441)
Net nonoperating revenues (expenses)	61,259,513	(39,558,044)	(77,411)	21,624,058
Loss before other revenues	(3,556,077)	(37,282,591)	(361,161)	(41,199,829)
Additions to permanent endowments	—	194,919	—	194,919
Capital grants	153,364	—	500,000	653,364
(Decrease) increase in net assets	(3,402,713)	(37,087,672)	138,839	(40,351,546)
Net assets as of beginning of year	151,890,102	164,486,640	8,030,814	324,407,556
Net assets as of end of year	\$ 148,487,389	127,398,968	8,169,653	284,056,010

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>South Jersey Technology Park at Rowan University</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
Rental income (note 13)	—	—	233,818	233,818
Other operating revenues	511,563	—	—	511,563
Total operating revenues	131,738,361	1,494,562	233,818	133,466,741
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	355,875	29,630,260
Operation and maintenance of plant	21,997,398	—	56,663	22,054,061
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	188,670,942	298,393	412,538	189,381,873
Operating (loss) income	(56,932,581)	1,196,169	(178,720)	(55,915,132)
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)	60,065	(5,850,085)
Investment expenses	—	(220,822)	—	(220,822)
Interest on capital asset related debt	(11,668,306)	—	(292,946)	(11,961,252)
Transfer from (to) South Jersey Technology Park at Rowan University (note 13)	551,085	(600,000)	48,915	—
Other nonoperating revenue, net	(1,056,963)	(63,892)	—	(1,120,855)
Net nonoperating revenues (expenses)	60,821,471	(17,185,902)	(183,966)	43,451,603
Income (loss) before other revenues	3,888,890	(15,989,733)	(362,686)	(12,463,529)
Additions to permanent endowments	—	555,136	—	555,136
Capital grants	153,364	—	501,378	654,742
Increase (decrease) in net assets	4,042,254	(15,434,597)	138,692	(11,253,651)
Net assets as of beginning of year	147,847,848	179,921,237	7,892,122	335,661,207
Net assets as of end of year	\$ 151,890,102	164,486,640	8,030,814	324,407,556

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, 2009 and 2008

	2009	2008
Cash flows from operating activities:		
Student revenues	\$ 102,886,976	103,290,513
Government grants	24,340,813	23,459,726
Payments to suppliers	(46,396,785)	(43,854,328)
Payments for employee salaries and benefits	(106,633,516)	(100,662,713)
Self-funded programs and other receipts	8,659,452	5,825,288
Net cash used by operating activities	(17,143,060)	(11,941,514)
Cash flows from noncapital financing activities:		
State of New Jersey appropriations	35,799,500	38,678,547
Gifts	8,177,980	8,250,204
Net cash provided by noncapital financing activities	43,977,480	46,928,751
Cash flows from capital and related financing activities:		
Drawdown of deposits held by bond trustees	20,376,277	24,401,104
Bonds proceeds	—	35,665,939
Capital grants	153,364	153,364
Defeasement of debt	—	(35,011,500)
Bond issuance costs	—	(654,439)
Purchases of capital assets	(25,896,044)	(22,206,316)
Principal paid on capital debt	(5,143,371)	(7,854,464)
Interest paid on capital debt	(15,151,806)	(14,093,684)
Net cash used by capital and related financing activities	(25,661,580)	(19,599,996)
Cash flows from investing activities:		
Interest on investments	2,223,722	3,590,001
Net increase in cash and cash equivalents	3,396,562	18,977,242
Cash and cash equivalents as of beginning of the year	65,064,664	46,087,422
Cash and cash equivalents as of end of the year	\$ 68,461,226	65,064,664
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (64,815,590)	(56,932,581)
Adjustments to reconcile operating loss to net cash used by operating activities:		
State paid fringe benefits	29,416,437	24,901,144
Depreciation and amortization expense	18,458,756	17,177,617
Changes in assets and liabilities:		
Receivables	(3,611,267)	2,988,948
Inventories	192,100	1,070,902
Other current assets	46,137	(507,347)
Accounts payable and accrued expenses	1,297,544	(808,256)
Due to State of New Jersey	705,871	(222,233)
Deferred revenue	986,554	612,218
Student housing deposits	(41,700)	(62,182)
Compensated absences	181,551	(185,721)
Other liabilities	26,332	(150,393)
Deposits held in custody for others	14,215	176,370
Net cash used by operating activities	\$ (17,143,060)	(11,941,514)

See accompanying notes to financial statements.

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

Notes to Financial Statements

June 30, 2009 and 2008

(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, 2009 and 2008

- *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 years
Buildings	20 – 40 years
Equipment	3 – 20 years

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, 2009 and 2008

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, 2009 and 2008

(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, 2009 and 2008:

	2009	2008
Cash	\$ 4,439,250	11,995,001
State of New Jersey Cash Management Fund	17,571,537	44,678,919
Money market funds and certificates of deposit	46,450,439	8,390,744
Total cash and cash equivalents	\$ 68,461,226	65,064,664
Investments:		
U.S. Treasury notes	\$ 765,907	721,885
TIAA-CREF mutual fund	379,594	515,335
Total investments	\$ 1,145,501	1,237,220

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, 2009 and 2008

(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.

	2009	2008
Construction funds	\$ 33,564,298	53,303,054
Renewal and replacement funds	653,263	651,790
Debt service reserve funds	10,649,096	10,998,213
Debt service funds	14,391,702	13,174,537
	59,258,359	78,127,594
Less current portion	14,391,702	13,174,537
Noncurrent deposits held by bond trustees	\$ 44,866,657	64,953,057

Deposits held by trustees were \$59,258,359 and \$78,127,594 as of June 30, 2009 and 2008, respectively. Of these amounts, \$41,808,296 and \$55,520,267 as of June 30, 2009 and 2008, 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, 2009 and 2008:

2009	Rating	Market value	Less than 1 year	1–5 years
Treasury bills and notes	AAA	\$ 41,808,296	41,808,296	—
		\$ 41,808,296	41,808,296	—
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	—

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

Notes to Financial Statements

June 30, 2009 and 2008

(4) Capital Assets

The detail of capital assets activity for the years ended June 30, 2009 and 2008 follows:

<u>2009</u>	<u>Beginning balance</u>	<u>Additions</u>	<u>Deletions/ transfers</u>	<u>Ending balance</u>
Nondepreciable assets:				
Land	\$ 33,938,344	2,063,126	—	36,001,470
Construction in progress	38,864,300	23,394,635	(31,208,190)	31,050,745
Total nondepreciable assets	<u>72,802,644</u>	<u>25,457,761</u>	<u>(31,208,190)</u>	<u>67,052,215</u>
Depreciable assets:				
Land improvements	26,351,449	771,879	—	27,123,328
Buildings	365,761,387	28,373,185	—	394,134,572
Equipment	21,397,285	2,277,976	—	23,675,261
Total depreciable assets	<u>413,510,121</u>	<u>31,423,040</u>	<u>—</u>	<u>444,933,161</u>
Less accumulated depreciation:				
Land improvements	7,478,838	1,308,709	—	8,787,547
Buildings	101,567,580	14,353,486	—	115,921,066
Equipment	10,708,731	2,221,659	—	12,930,390
Total accumulated depreciation	<u>119,755,149</u>	<u>17,883,854</u>	<u>—</u>	<u>137,639,003</u>
Total capital assets, net	<u>\$ 366,557,616</u>	<u>38,996,947</u>	<u>(31,208,190)</u>	<u>374,346,373</u>

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

Notes to Financial Statements

June 30, 2009 and 2008

2008	Beginning balance	Additions	Deletions/ transfers	Ending balance
Nondepreciable assets:				
Land	\$ 32,776,586	1,246,899	(85,141)	33,938,344
Construction in progress	35,399,448	28,756,915	(25,292,063)	38,864,300
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	16,055,810	5,341,475	—	21,397,285
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	8,724,867	1,983,864	—	10,708,731
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>

Depreciation expense for the years ended June 30, 2009 and 2008 was \$17,883,854 and \$16,637,170, respectively. During 2009 and 2008, the University has capitalized interest expense, net of related interest income of \$1,558,017 and \$1,535,396, 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, 2009 approximates \$17,961,000. Financing for these projects is approximately \$12,598,000 in bond proceeds and \$5,363,000 in University funds.

(5) State of New Jersey Fringe Benefits

The State of New Jersey, through separate appropriations, pays certain fringe benefits, principally pension costs, health benefits, and FICA taxes, on behalf of University employees. The costs of these benefits, \$29,416,437 and \$24,901,144, respectively, for fiscal years 2009 and 2008, 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. 18:66 to provide coverage to substantially all full-time public school teachers of the State of New Jersey.

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 contribute at a uniform rate. The full normal employee contribution rate became 5.5% of annual compensation, effective July 1, 2007. Employers are required to contribute at an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances, cost-of-living adjustments, and non-contributory death benefits. The State of New Jersey contributes to PERS on behalf of the University. The contribution requirements of the plan members and the University are established and may be amended by the State of New Jersey.

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, 2009 and 2008, ABP investment carriers received employer and employee contributions as follows:

	2009	2008
Employer contributions	\$ 4,205,296	3,922,983
Employee contributions	6,815,291	6,553,139
Basis for contributions:		
Participating employee salaries	52,566,206	49,037,293

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, 2009 and 2008:

	2009	2008
Vendors and other	\$ 8,253,630	7,564,002
Salaries and benefits	4,181,247	3,573,331
Total accounts payable and accrued expenses	\$ 12,434,877	11,137,333

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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, 2009 and 2008:

	<u>Interest rate</u>	<u>2009</u>	<u>2008</u>
Series 1974 E Revenue Bonds, due serially to 2009	7.0%	\$ 415,000	805,000
Series 1983 D Revenue Bonds, due serially to 2013	3.0%	850,000	1,005,000
Series 2000 B Revenue Bonds, due serially to 2010	5.0% – 5.25%	2,360,000	3,460,000
Series 2001 B Revenue Bonds, due serially to 2011	4.25%	210,000	210,000
Series 2001 C Revenue Refunding Bonds, due serially to 2026	5.0% – 5.25%	40,470,000	42,025,000
Series 2002 K Revenue Bonds, due serially to 2012	4.0%	665,000	665,000
Series 2003 I Revenue Bonds, due serially to 2013	3.0% – 5.0%	7,820,000	7,820,000
Series 2003 J Revenue Bonds, due serially to 2008	3.0%	—	1,005,000
Series 2004 C Revenue Bonds, due serially to 2014	4.0% – 5.0%	8,680,000	8,680,000
Series 2005 D Revenue Refunding Bonds, due serially to 2030	3.25% – 5.25%	51,655,000	51,840,000
Series 2006 G Revenue Bonds, due serially to 2031	4.0% – 4.5%	69,250,000	69,405,000
Series 2007 B Revenue Refunding Bonds, due serially to 2034	3.0% – 5.5%	119,500,000	119,500,000
Series 2008 B Revenue Refunding Bonds, due serially to 2027	4.0% – 5.0%	35,205,000	35,205,000
		<u>337,080,000</u>	<u>341,625,000</u>
Less:			
Deferred loss on bond refinancing		(9,105,928)	(9,509,834)
Bond discount		(367,921)	(331,763)
Total bonds payable		<u>\$ 327,606,151</u>	<u>331,783,403</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:			
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	11,405,000	13,678,000	25,083,000
2015 – 2019	65,640,000	59,860,000	125,500,000
2020 – 2024	82,800,000	42,355,000	125,155,000
2025 – 2029	98,855,000	21,301,000	120,156,000
2030 – 2034	41,530,000	4,690,000	46,220,000
2035	3,370,000	143,000	3,513,000

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, 2009 and 2008 and, therefore, are not reflected in the accompanying financial statements. The principal amounts of these bonds were approximately \$170,810,000 and \$176,445,000, respectively, as of June 30, 2009 and 2008.

(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 November 30, 2012. As of June 30, 2009 and 2008, the outstanding obligations were \$182,746 and \$229,395, 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, 2009 and 2008 were \$6,704,348 and \$6,988,565, 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, 2009 and 2008 were \$884,488 and \$1,012,272, 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, 2009 and 2008 were \$146,707 and \$286,428, 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:			
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	494,000	269,000	763,000
2015 – 2019	2,381,000	1,038,000	3,419,000
2020 – 2023	2,913,000	348,000	3,261,000

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(10) Noncurrent Liabilities

Noncurrent liabilities activity for the years ended June 30, 2009 and 2008 was as follows:

<u>2009</u>	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Current portion</u>
Student housing deposits	\$ 867,300	—	41,700	825,600	—
Compensated absences	3,478,563	181,551	—	3,660,114	1,973,580
Other liabilities	415,913	26,332	—	442,245	—
Deposits held in custody for others	1,409,947	14,215	—	1,424,162	—
Bonds payable	331,783,403	—	4,177,252	327,606,151	5,915,000
Other long-term debt	8,516,660	—	598,371	7,918,289	621,544
Total noncurrent liabilities	<u>\$ 346,471,786</u>	<u>222,098</u>	<u>4,817,323</u>	<u>341,876,561</u>	<u>8,510,124</u>

<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>

(11) Commitments and Contingencies

Operating Leases

The University leases certain space and equipment used in general operations. Rental expense was approximately \$519,000 in 2009 and \$522,000 in 2008. 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:	
2010	\$ 519,000
2011	288,000
2012	264,000
2013	110,000

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Capital Lease Obligation

On March 6, 2008 the University entered into a lease agreement with SORA Housing LLC (SORA) whereby SORA will construct 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. The initial phase of the development of the facilities will consist of the development and construction of 154 units, or 568 beds. The second phase of the development of the facilities will consist of the development and construction of the 88 remaining units, or 316 beds, together with the common areas and laundry facilities. No rent was due by the University to SORA during the initial term of the lease through the completion of phase one. Phase one was completed for the Fall 2009 semester and was considered ready for occupancy. Beginning in fiscal year 2010, the University will pay rent in semi-annual installments on September 1 and February 1 for twenty years. The rental amount will be contingent upon the number of beds available for use at the beginning of each semester. The total amount due in fiscal year 2010 under this lease agreement is \$4,316,800. The second phase is expected to be completed and ready for occupancy for the Fall 2010 semester. At the completion of the lease agreement, the University will have two five year options to renew the lease term.

Compensated Absences

The University recorded a liability for accumulated vacation time in the amount of approximately \$1,974,000 and \$1,906,000 as of June 30, 2009 and 2008, 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 \$1,687,000 and \$1,572,000 as of June 30, 2009 and 2008, respectively, which is included in compensated absences in the accompanying statements of net assets.

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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, 2009 and 2008:

	2009	2008
Designated:		
University operating reserve	\$ 5,886,500	5,466,405
Self-supporting programs	4,582,082	3,115,479
Capital reserve for academic buildings	3,804,886	8,438,602
Capital reserve for auxiliary enterprises	11,681,654	10,329,512
Reserve for debt service	26,783,489	21,796,297
Total unrestricted net assets	\$ 52,738,611	49,146,295

Other Contingencies

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

(12) 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, 2009 and 2008, the University received \$8,177,980 and \$6,986,742 respectively, from the Foundation. Complete financial statements of the Foundation can be obtained from the Office of the Controller, Rowan University, Glassboro, New Jersey.

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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, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Cash and cash equivalents	\$ 3,409,598	5,590,748
Investments:		
Bond mutual funds (domestic)	\$ 18,151,147	30,564,515
Common stock mutual funds (domestic)	39,417,214	49,144,360
Common stock mutual funds (international)	25,133,766	32,174,943
Realty investments	6,297,428	9,691,163
Alternative investments	31,045,239	33,146,774
	<u>\$ 120,044,794</u>	<u>154,721,755</u>

For the years ended June 30, 2009 and 2008, the net unrealized losses on investments were \$33,697,655 and \$23,839,002 and the net realized gains on investments were \$567,464 and \$11,836,047, respectively.

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.

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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.

(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 these resources held by SJTP can only be used by, or are for the benefit of the University, SJTP 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.

In fiscal year 2007, the University recorded the transfer of land valued at \$551,085 to SJTP. In fiscal year 2008, the University board of trustees simultaneously approved the reacquisition of this parcel of land from SJTP and a long-term lease agreement for this parcel of land from the University to SJTP which commenced on January 1, 2008. During fiscal year 2007, the University loaned the SJTP \$1,000,000 to provide cash flow during the construction of the Samuel H. Jones Innovation Center. The SJTP used these funds to pay construction related costs which would later be reimbursed to the SJTP from other funding sources. During fiscal year 2009, the SJTP made interest only payments on this loan at the rate of five percent annually. The final terms of this loan agreement are still being negotiated. Additionally, the University board of trustees approved a lease agreement by and between the University and SJTP for the first floor of the Samuel H. Jones Innovation Center to support its educational mission. For the years ended June 30, 2009 and 2008, SJTP realized \$461,785 and \$233,818, respectively, in rental income related to this lease agreement. As of June 30, 2009 and 2008, SJTP has rent receivables of \$114,713 and \$38,970, respectively, which is included in interest and other receivables in the accompanying statements of net assets.