



**SOUTH JERSEY TECHNOLOGY PARK AT ROWAN UNIVERSITY, INC.**  
(A Component Unit of Rowan University)

Basic Financial Statements and  
Management's Discussion and Analysis

June 30, 2014 and 2013

(With Independent Auditors' Report Thereon)

**SOUTH JERSEY TECHNOLOGY PARK AT ROWAN UNIVERSITY, INC.**  
(A Component Unit of Rowan University)

**Table of Contents**

	<b>Page</b>
Independent Auditors' Report	1
Management's Discussion and Analysis (Unaudited)	3
Basic Financial Statements:	
Statements of Net Position as of June 30, 2014 and 2013	9
Statements of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2014 and 2013	10
Statements of Cash Flows for the years ended June 30, 2014 and 2013	11
Notes to Financial Statements	12



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

## **Independent Auditors' Report**

The Board of Directors  
South Jersey Technology Park at Rowan University, Inc.:

We have audited the accompanying financial statements of South Jersey Technology Park at Rowan University, Inc. (SJTP), a component unit of Rowan University, as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise SJTP's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of South Jersey Technology Park at Rowan University, Inc. as of June 30, 2014 and 2013, and the changes in its financial position and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.



***Emphasis of Matter***

*Adoption of New Accounting Pronouncements*

As discussed in note 1 to the financial statements, in 2014, SJTP adopted Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

***Other Matters***

*Required Supplementary Information*

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

KPMG LLP

October 29, 2014

**SOUTH JERSEY TECHNOLOGY PARK AT ROWAN UNIVERSITY, INC.**  
(A Component Unit of Rowan University)

Management's Discussion and Analysis (Unaudited)

June 30, 2014 and 2013

**Introduction**

This section of South Jersey Technology Park at Rowan University, Inc.'s (SJTP) financial statements presents our discussion and analysis of SJTP's financial performance during the fiscal years that ended on June 30, 2014 and 2013, and comparative amounts for the year ended June 30, 2012. Since this discussion and analysis is designed to focus on current activities, it should be read in conjunction with SJTP's basic financial statements, which follow this section.

**Basic Financial Statements**

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

**Statements of Net Position**

The Statements of Net Position present the assets, liabilities, and net position of SJTP as of the end of the fiscal year. The Statements of Net Position are point of time financial statements. The purpose of the Statements of Net Position is to present to the readers of the financial statements a fiscal snapshot of SJTP. The Statements of Net Position present end-of-the-year data concerning assets (current and noncurrent), liabilities (current and noncurrent), and net position (assets minus liabilities).

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

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

Net position of SJTP is divided into two major categories. The first category, net investment in capital assets provides SJTP's equity in the property, plant and equipment owned by SJTP. The second category is unrestricted net position. Unrestricted net position is available to SJTP for any lawful purpose of SJTP.

**SOUTH JERSEY TECHNOLOGY PARK AT ROWAN UNIVERSITY, INC.**  
(A Component Unit of Rowan University)

Management's Discussion and Analysis (Unaudited)

June 30, 2014 and 2013

A summary of SJTP's assets, liabilities, and net position as of June 30, 2014, 2013, and 2012 is as follows. Amounts for 2013 and 2012 are restated due to the adoption of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65) (see note 1):

	<u>2014</u>	<u>2013</u> (In thousands)	<u>2012</u>
Current assets	\$ 1,286	1,313	1,223
Capital assets	11,234	11,601	11,969
Total assets	<u>12,520</u>	<u>12,914</u>	<u>13,192</u>
Current liabilities	217	220	201
Noncurrent liabilities	5,329	5,509	5,680
Total liabilities	<u>5,546</u>	<u>5,729</u>	<u>5,881</u>
Net position:			
Net investment in capital assets	5,727	5,921	6,123
Unrestricted	1,246	1,264	1,188
Total net position	<u>\$ 6,973</u>	<u>7,185</u>	<u>7,311</u>

Current assets consist of cash and cash equivalents and receivables and other assets. Noncurrent assets consist of capital assets. Current liabilities consist of accounts payable and accrued expenses, accrued interest payable, and the current portion of long term debt; noncurrent liabilities consist of long term debt payable.

***Fiscal Year 2014 Compared to Fiscal Year 2013***

The decrease in current assets is attributed to a decrease of \$71,934 in cash and cash equivalents, offset by an increase of \$44,946 in receivables and other assets. Capital assets decreased \$367,436 due to depreciation. There were no current year capital additions. The decrease in cash and cash equivalents was due primarily to the increased cash outflow from operating activities.

The decrease in current liabilities is due to a decrease of \$8,700 in accounts payable and accrued expenses along with a decrease of \$493 in accrued interest payable, offset by an increase of \$6,165 in long-term debt – current portion.

Noncurrent liabilities decreased \$179,605 due to principal payments on long-term debt.

Total net position decreased \$211,791. Within total net position, net investment in capital assets decreased \$193,996 and unrestricted net position decreased \$17,795.

***Fiscal Year 2013 Compared to Fiscal Year 2012***

The increase in current assets is attributed to an increase of \$90,560 in cash and cash equivalents offset by an decrease of \$1,292 in receivables and other assets. Capital assets decreased \$367,436 due to depreciation. There were no current year capital additions. The increase in cash and cash equivalents was due primarily to the positive cash provided by operating activities.

**SOUTH JERSEY TECHNOLOGY PARK AT ROWAN UNIVERSITY, INC.**  
(A Component Unit of Rowan University)

Management's Discussion and Analysis (Unaudited)

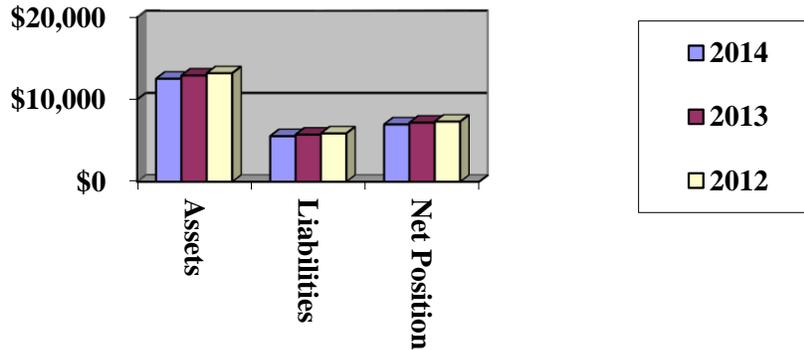
June 30, 2014 and 2013

The increase in current liabilities is due to an increase of \$13,813 in accounts payable and accrued expenses along with an increase of \$5,888 in long-term debt – current portion, offset by a decrease of \$477 in accrued interest payable.

Noncurrent liabilities decreased \$171,555 due to principal payments on long-term debt.

Total net position decreased \$125,838. Within total net position, net investment in capital assets decreased \$201,769 and unrestricted net position increased \$75,932.

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

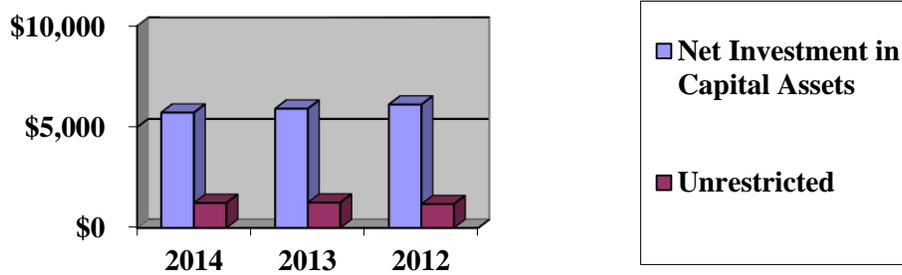


**SOUTH JERSEY TECHNOLOGY PARK AT ROWAN UNIVERSITY, INC.**  
(A Component Unit of Rowan University)

Management's Discussion and Analysis (Unaudited)

June 30, 2014 and 2013

**Comparative Net Position  
For the Years Ended June 30  
(In thousands)**



**Statements of Revenues, Expenses, and Changes in Net Position**

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

**SOUTH JERSEY TECHNOLOGY PARK AT ROWAN UNIVERSITY, INC.**  
(A Component Unit of Rowan University)

Management's Discussion and Analysis (Unaudited)

June 30, 2014 and 2013

Generally speaking, operating revenues are received for providing goods and services to the various customers and constituencies of SJTP. 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 SJTP. Nonoperating revenues and expenses are revenues and expenses received for which goods and services are not provided, for example, interest and dividend income, and interest expense. The Statements of Revenues, Expenses, and Changes in Net Position present SJTP's results of operations. A summary of SJTP's revenues, expenses, and Changes in Net Position for the years ended June 30, 2014, 2013, and 2012 is as follows. Amounts for 2013 and 2012 are restated due to the adoption of GASB 65 (see note 1):

	<b>2014</b>	<b>2013</b>	<b>2012</b>
		(In thousands)	
Operating revenues:			
Rental income	\$ 980	930	862
Other income	5	—	3
Total operating revenues	985	930	865
Operating expenses:			
Materials and supplies	6	9	14
Professional and other services	630	481	368
Depreciation expense	368	368	368
Total operating expenses	1,004	858	750
Operating income	(19)	72	115
Nonoperating revenues (expenses):			
Interest and dividends	3	3	3
Interest on long-term debt	(196)	(201)	(208)
Net nonoperating expenses	(193)	(198)	(205)
Decrease in net assets	(212)	(126)	(90)
Net position as of beginning of year, as restated	7,185	7,311	7,401
Net position as of end of year	\$ 6,973	7,185	7,311

***Fiscal Year 2014 Compared to Fiscal Year 2013***

Operating revenues increased \$54,657 primarily due to an increase in rental rates. Operating expenses increased \$146,378. Within operating expenses, materials and supplies decreased \$2,411 and professional and other services increased \$148,789.

The increase in professional and other services expense is primarily due to an increase in consulting expenses in the amount of \$116,000 and increases totaling \$30,856 in marketing, legal, travel, and advertising expenses.

**SOUTH JERSEY TECHNOLOGY PARK AT ROWAN UNIVERSITY, INC.**  
(A Component Unit of Rowan University)

Management's Discussion and Analysis (Unaudited)

June 30, 2014 and 2013

Interest and dividends revenue decreased \$185. Interest paid on the long term debt decreased \$5,953 due to the pay-down of debt.

***Fiscal Year 2013 Compared to Fiscal Year 2012***

Operating revenues increased \$65,651 primarily due to an increase in rental rates. Operating expenses increased \$107,774. Within operating expenses, materials and supplies decreased \$5,748 and professional and other services increased \$113,522.

The professional and other services increase is a result of an increase in the Business Operating Agreement expenses in the amount of \$63,050 and increases totaling \$50,472 in marketing, insurance, telephone, and travel expenses.

Interest and dividends revenue decreased \$601 due to reduced interest rates. Interest paid on the long term debt decreased \$6,170 due to the pay-down of debt.

**Capital Assets and Debt Activity**

SJTP owns a two story building which is leased to two tenants. The only activity for fiscal year 2014 is depreciation of \$367,436.

In fiscal year 2011 SJTP secured permanent financing of a 25 year tax-exempt bond. This was used to repay a loan from Rowan University. As of the end of fiscal year 2014, the principal amount of the bond is \$5,507,035.

**Economic Outlook**

The SJTP completed construction of its first building in fiscal year 2009. This building, the Samuel H. Jones Innovation Center, has been fully leased since January 1, 2010. SJTP revenues are based on rental income from the tenants of this first building. In accordance with the leases, this revenue is expected to increase modestly each year over the near future. SJTP has received letters of intent from three companies interested in locating their businesses to the SJTP. Accordingly, SJTP is currently engaged in pre-development activities for an estimated 270,000 square feet of new space spread across multiple new buildings.

**SOUTH JERSEY TECHNOLOGY PARK AT ROWAN UNIVERSITY, INC.**  
(A Component Unit of Rowan University)

Statements of Net Position

June 30, 2014 and 2013

<b>Assets</b>	<b>2014</b>	<b>2013</b>
Current assets:		
Cash and cash equivalents (note 2)	\$ 1,213,943	1,285,877
Receivables and other assets	71,746	26,800
Total current assets	1,285,689	1,312,677
Noncurrent assets:		
Capital assets (note 4)	11,234,155	11,601,591
Total noncurrent assets	11,234,155	11,601,591
Total assets	12,519,844	12,914,268
<b>Liabilities</b>		
Current liabilities:		
Accounts payable and accrued expenses (note 5)	23,531	32,231
Accrued interest payable	15,838	16,331
Long-term debt – current portion (note 6)	177,862	171,697
Total current liabilities	217,231	220,259
Noncurrent liabilities:		
Long-term debt (note 6)	5,329,173	5,508,778
Total noncurrent liabilities	5,329,173	5,508,778
Total liabilities	5,546,404	5,729,037
<b>Net Position</b>		
Net investment in capital assets	5,727,120	5,921,116
Unrestricted	1,246,320	1,264,115
Total net position	\$ 6,973,440	7,185,231

See accompanying notes to financial statements.

**SOUTH JERSEY TECHNOLOGY PARK AT ROWAN UNIVERSITY, INC.**  
(A Component Unit of Rowan University)

Statements of Revenues, Expenses, and Changes in Net Position

Years ended June 30, 2014 and 2013

	<b>2014</b>	<b>2013</b>
Operating revenues:		
Rental income (notes 3 and 8)	\$ 980,432	930,488
Other income	4,713	—
Total operating revenues	985,145	930,488
Operating expenses:		
Materials and supplies	6,278	8,689
Professional and other services	630,320	481,531
Depreciation	367,436	367,436
Total operating expenses	1,004,034	857,656
Operating (loss) income	(18,889)	72,832
Nonoperating revenues (expenses):		
Interest and dividends	2,673	2,858
Interest on long-term debt	(195,575)	(201,528)
Net nonoperating expenses	(192,902)	(198,670)
Decrease in net position	(211,791)	(125,838)
Net position as of beginning of year, as restated	7,185,231	7,311,069
Net position as of end of year	\$ 6,973,440	7,185,231

See accompanying notes to financial statements.

**SOUTH JERSEY TECHNOLOGY PARK AT ROWAN UNIVERSITY, INC.**  
(A Component Unit of Rowan University)

Statements of Cash Flows

Years ended June 30, 2014 and 2013

	<b>2014</b>	<b>2013</b>
Cash flows from operating activities:		
Rental and other income	\$ 943,342	933,128
Payments to suppliers	(648,441)	(477,755)
Net cash provided by operating activities	294,901	455,373
Cash flows from capital and related financing activities:		
Principal payment of long-term debt	(173,440)	(165,667)
Interest paid on capital debt	(196,068)	(202,004)
Net cash used by capital and related financing activities	(369,508)	(367,671)
Cash flows from investing activities:		
Interest and dividends	2,673	2,858
Net (decrease) increase in cash and cash equivalents	(71,934)	90,560
Cash and cash equivalents as of beginning of the year	1,285,877	1,195,317
Cash and cash equivalents as of end of the year	\$ 1,213,943	1,285,877
Reconciliation of operating (loss) income to net cash provided by operating activities:		
Operating (loss) income	\$ (18,889)	72,832
Adjustments to reconcile operating (loss) income to net cash provided by operating activities:		
Depreciation expense	367,436	367,436
Changes in assets and liabilities:		
Receivables and other assets	(44,946)	1,292
Accounts payable and accrued expenses	(8,700)	13,813
Net cash provided by operating activities	\$ 294,901	455,373

See accompanying notes to financial statements.

**SOUTH JERSEY TECHNOLOGY PARK AT ROWAN UNIVERSITY, INC.**  
(A Component Unit of Rowan University)

Notes to Financial Statements

June 30, 2014 and 2013

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

**(a) Organization**

South Jersey Technology Park at Rowan University, Inc. (SJTP) was established and is being maintained as part of the educational mission of Rowan University (the University), its initial sole member. SJTP hopes to create jobs and job training and provide new and varied “hands-on” educational experiences for 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. The members of the Board of Directors of SJTP are appointed by the Board of Trustees of the University. SJTP is considered a component unit of the University and is discretely presented in the University’s financial statements. 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.

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

**Basis of Presentation**

The accounting policies of SJTP conform to U.S. generally accepted accounting principles. SJTP reports are based on all applicable Governmental Accounting Standards Board (GASB) pronouncements.

SJTP reports its net position in the following categories.

- *Net investment in capital assets:* Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.
- *Unrestricted:* Net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or the Board of Directors.

**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. SJTP 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**

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

**Capital Assets**

Capital assets consist of buildings, net of accumulated depreciation. This asset is recorded at historical cost. The costs of normal maintenance and repairs that do not add value to the asset are not

**SOUTH JERSEY TECHNOLOGY PARK AT ROWAN UNIVERSITY, INC.**  
(A Component Unit of Rowan University)

Notes to Financial Statements

June 30, 2014 and 2013

capitalized. Major outlays for capital assets are capitalized as projects are constructed. Capital assets are depreciated over their estimated useful lives using the straight-line method. SJTP has estimated the useful life of its building to be forty years and renovations to the building to be twenty years.

**Classification of Revenue**

SJTP's policy for defining operating activities in the statements of revenues, expenses, and changes in net position are those that serve SJTP's principal purpose and generally result from exchange transactions. Examples would include rental income and expenses related to acquiring or producing goods and services provided in return for the operating revenue. Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as transfers from the University and the University's component units, and interest and dividend income and interest expense.

**New Accounting Standards Adopted**

In fiscal year 2014, SJTP adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65), which amends or supersedes the accounting and financial reporting guidance for certain items previously required to be reported as assets or liabilities. The objective is to either properly classify certain items that were previously reported as assets or liabilities as deferred outflows of resources or deferred inflows of resources or recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses) or inflows of resources (revenues). With the adoption of GASB 65, SJTP will expense bond issuance costs in the period in which they are incurred. GASB 65 is effective for SJTP's statements for the fiscal year ending June 30, 2014. SJTP adopted the provision in 2014 effective for the fiscal year beginning July 1, 2012, resulting in a restatement of the 2013 financial statements as detailed below to reflect the elimination of bond issuance costs as assets:

	<u>As previously reported</u>	<u>Adjustments</u>	<u>As restated</u>
Statement of Net Position as of			
June 30, 2013:			
Deferred financing costs, net	\$ 154,346	(154,346)	—
of accumulated amortization	1,418,461	(154,346)	1,264,115
Unrestricted net position			
Statement of Revenues, Expenses, and Changes in Net Position for the year ended June 30, 2013:			
Depreciation and amortization	374,357	(6,921)	367,436
Net position as of beginning of year	7,472,336	(161,267)	7,311,069
Net position as of end of year	7,339,577	(154,346)	7,185,231

**SOUTH JERSEY TECHNOLOGY PARK AT ROWAN UNIVERSITY, INC.**  
(A Component Unit of Rowan University)

Notes to Financial Statements

June 30, 2014 and 2013

fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type and modifies the specific guidance in GASB Statement No. 62 on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. There was no impact as a result of adoption of this standard to SJTP's financial statements.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* (GASB 70), improves accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees and requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. GASB 70 also requires a government that has issued an obligation guaranteed in a nonexchange transaction to report the obligation until legally released as an obligor and requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. New information must be disclosed by governments that receive nonexchange financial guarantees. There was no impact as a result of adoption of this standard to SJTP's financial statements.

**Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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.

**(2) Cash and Cash Equivalents**

Custodial credit risk associated with the SJTP's cash and cash equivalents includes uninsured and uncollateralized deposits that exceed FDIC insurance coverage limits. SJTP's bank deposits as of June 30, 2014 and 2013 were partially insured by Federal Depository Insurance in the amount of \$250,000 in 2014 and 2013. SJTP's bank deposits as of June 30, 2014 and 2013 were \$1,209,156 and \$1,228,035 respectively, leaving uninsured and uncollateralized balances of \$959,156 and \$978,035.

**(3) Related Party Transactions**

**(a) Lease Agreements**

In fiscal year 2008, the University Board of Trustees approved a long-term lease agreement for the SJTP to use a parcel of land owned by the University. The lease commenced on January 1, 2008 and is for 50 years with a renewal term of 20 years. Under the lease agreement, SJTP is to pay \$1,000 each year. The rental payment of \$1,000 is included in professional and other services expenses in the accompanying statements of revenues, expenses, and changes in net position for fiscal years 2014 and 2013.

**SOUTH JERSEY TECHNOLOGY PARK AT ROWAN UNIVERSITY, INC.**  
(A Component Unit of Rowan University)

Notes to Financial Statements

June 30, 2014 and 2013

The University Board of Trustees approved a lease agreement by and between the University and the SJTP to lease the first floor of the Samuel H. Jones Innovation Center to support its educational mission. For the years ended June 30, 2014 and 2013, SJTP recognized \$504,026 and \$496,120, respectively, in rental income related to this lease agreement. The University also reimbursed SJTP \$86,088 and \$90,745 for utility charges associated with this lease for fiscal years 2014 and 2013, respectively.

**(b) Business Operating Agreement**

SJTP and the University entered into a business operating agreement for the University to provide certain services and functions to SJTP. SJTP pays the University for these services and functions which include salaries and benefits of employees who perform functions for SJTP, accounting services, custodial services, repairs and maintenance, and other indirect charges. The charges amounted to \$346,881 and \$350,827 for fiscal years 2014 and 2013, respectively and are reflected in professional and other services expenses in the accompanying statements of revenues, expenses, and changes in net position.

**(4) Capital Assets**

The detail of capital assets activity for the years ended June 30, 2014 and 2013 follows:

<u>2014</u>	<u>Beginning balance</u>	<u>Additions</u>	<u>Deletions/ transfers</u>	<u>Ending balance</u>
Depreciable assets:				
Buildings	\$ 13,171,269	—	—	13,171,269
Less accumulated depreciation:				
Buildings	<u>1,569,678</u>	<u>367,436</u>	<u>—</u>	<u>1,937,114</u>
Total capital assets, net	<u>\$ 11,601,591</u>	<u>(367,436)</u>	<u>—</u>	<u>11,234,155</u>
<u>2013</u>	<u>Beginning balance</u>	<u>Additions</u>	<u>Deletions/ transfers</u>	<u>Ending balance</u>
Depreciable assets:				
Buildings	\$ 13,171,269	—	—	13,171,269
Less accumulated depreciation:				
Buildings	<u>1,202,242</u>	<u>367,436</u>	<u>—</u>	<u>1,569,678</u>
Total capital assets, net	<u>\$ 11,969,027</u>	<u>(367,436)</u>	<u>—</u>	<u>11,601,591</u>

**SOUTH JERSEY TECHNOLOGY PARK AT ROWAN UNIVERSITY, INC.**  
(A Component Unit of Rowan University)

Notes to Financial Statements

June 30, 2014 and 2013

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

Accounts payable and accrued expenses consist of the following as of June 30, 2014 and 2013:

	<b>2014</b>	<b>2013</b>
Accounts payable – vendor	\$ 23,531	32,231

**(6) Long-Term Debt**

In October 2010, the Gloucester County Improvement Authority (GCIA) issued a private placement bond purchased by TD Bank on behalf of SJTP in the amount of \$6,120,000. \$6,000,000 of the proceeds was used to repay SJTP debt to Rowan University. An additional \$120,000 was financed to pay costs associated with the financing. The twenty five year tax-exempt bond matures on November 1, 2035. Interest on the bond is calculated for the first ten years at a fixed rate of 3.45% per annum, except to the extent that there is a determination of taxability in which the rate shall increase to 5.0% per annum. Interest on the bond for each ten year period or portion thereof following the initial ten years of the loan shall be a rate equal to a fixed rate of TD Bank's tax exempt equivalent to the current thirty day LIBOR rate plus 350 points provided however, to the extent that the bond shall be taxable the interest rate on the bond shall be the current LIBOR rate for thirty days as of the date of determination of taxability plus 350 basis points. The interest rate on the bond shall reset every 120 months and the then current applicable LIBOR rate shall be applied.

Aggregate principal and interest repayments, using the fixed interest rate of 3.45% in effect as of June 30, 2014, required during the next five fiscal years and in five year increments thereafter are as follows as of June 30, 2014:

	<b>Principal amount</b>	<b>Interest amount</b>	<b>Total amount</b>
Year ending June 30:			
2015	\$ 177,862	189,808	367,670
2016	184,184	183,486	367,670
2017	190,731	176,939	367,670
2018	197,511	170,159	367,670
2019	204,531	163,139	367,670
2020 – 2024	1,137,018	701,333	1,838,351
2025 – 2029	1,353,983	484,368	1,838,351
2030 – 2034	1,612,349	226,003	1,838,352
2035 – 2036	448,866	10,547	459,413
	\$ 5,507,035	2,305,782	7,812,817

**SOUTH JERSEY TECHNOLOGY PARK AT ROWAN UNIVERSITY, INC.**  
(A Component Unit of Rowan University)

Notes to Financial Statements

June 30, 2014 and 2013

**(7) Noncurrent Liabilities**

Noncurrent liabilities activity for the years ended June 30, 2014 and 2013 was as follows:

<u>2014</u>	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Current portion</u>
Long-term debt	\$ 5,680,475	—	173,440	5,507,035	177,862
Total noncurrent liabilities	<u>\$ 5,680,475</u>	<u>—</u>	<u>173,440</u>	<u>5,507,035</u>	<u>177,862</u>
<u>2013</u>	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Current portion</u>
Long-term debt	\$ 5,846,142	—	165,667	5,680,475	171,697
Total noncurrent liabilities	<u>\$ 5,846,142</u>	<u>—</u>	<u>165,667</u>	<u>5,680,475</u>	<u>171,697</u>

**(8) Rental Income**

The SJTP leases space to two tenants under operating lease arrangements. Rowan University leases the first floor of the Samuel H. Jones Innovation Center to support its educational mission for a thirty year lease term expiring December 31, 2037. On January 1st of each year during the lease term, the annual rent is adjusted to reflect the lesser of (i) the increase in the Consumer Price Index or (ii) three percent. For the years ended June 30, 2014 and 2013, SJTP recognized \$504,026 and \$496,120, respectively, in rental income related to this lease agreement.

The second floor of the Samuel H. Jones Innovation Center is leased to another tenant for a lease term of seven years expiring December 31, 2016. The future minimum lease rentals for the noncancelable operating lease as of June 30, 2014 are as follows:

	<u>Amount</u>
Year ending June 30:	
2015	\$ 520,575
2016	580,009
2017	<u>313,053</u>
	<u>\$ 1,413,637</u>