



ROWAN UNIVERSITY ALUMNI ASSOCIATION

Financial Statements

June 30, 2016

(With Independent Auditors' Report Thereon)



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

Independent Auditors' Report

The Board of Directors
Rowan University Alumni Association:

We have audited the accompanying financial statements of Rowan University Alumni Association (the Association), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rowan University Alumni Association as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.



Report on Summarized Comparative Information

We have previously audited the Association's 2015 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated November 4, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

KPMG LLP

November 16, 2016

ROWAN UNIVERSITY ALUMNI ASSOCIATION

Statement of Financial Position

June 30, 2016

(with comparative financial information
as of June 30, 2015)

	<u>2016</u>	<u>2015</u>
Assets		
Deposits held in trust by Rowan University Foundation (note 2)	\$ 1,533,237	1,463,683
Total assets	<u>\$ 1,533,237</u>	<u>1,463,683</u>
Net Assets		
Unrestricted	\$ 63,372	49,047
Temporarily restricted (note 3)	926,899	871,670
Permanently restricted (note 3)	<u>542,966</u>	<u>542,966</u>
Total net assets	<u>\$ 1,533,237</u>	<u>1,463,683</u>

See accompanying notes to financial statements.

ROWAN UNIVERSITY ALUMNI ASSOCIATION

Statement of Activities

Year ended June 30, 2016
(with summarized financial information
for the year ended June 30, 2015)

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Totals</u>	
				<u>2016</u>	<u>2015</u>
Revenues, gains, and other support:					
Contributions	\$ 17,414	55,325	—	72,739	92,035
Income earned on deposits held in trust by Rowan University Foundation	25	(21,576)	—	(21,551)	24,485
Other revenue	9,400	149,941	—	159,341	52,501
Net assets released from restrictions for: Scholarships/grants	128,461	(128,461)	—	—	—
Total revenues, gains, and other support	155,300	55,229	—	210,529	169,021
Expenses:					
Program:					
Material and supplies	545	—	—	545	—
Scholarships/grants	140,430	—	—	140,430	120,150
Total expenses	140,975	—	—	140,975	120,150
Increase in net assets	14,325	55,229	—	69,554	48,871
Net assets as of beginning of year	49,047	871,670	542,966	1,463,683	1,414,812
Net assets as of end of year	\$ 63,372	926,899	542,966	1,533,237	1,463,683

See accompanying notes to financial statements.

ROWAN UNIVERSITY ALUMNI ASSOCIATION

Statement of Cash Flows

Year ended June 30, 2016
(with comparative financial information
for the year ended June 30, 2015)

	<u>2016</u>	<u>2015</u>
Cash flows from investing activities:		
Increase in net assets	\$ 69,554	48,871
Adjustments to reconcile increase in net assets to net cash used by investing activities:		
Increase in deposits held in trust by Rowan University Foundation	<u>(69,554)</u>	<u>(48,871)</u>
Net cash used by investing activities	<u>—</u>	<u>—</u>
Change in cash and cash equivalents	—	—
Cash and cash equivalents as of beginning of year	<u>—</u>	<u>—</u>
Cash and cash equivalents as of end of year	<u>\$ —</u>	<u>—</u>

See accompanying notes to financial statements.

ROWAN UNIVERSITY ALUMNI ASSOCIATION

Notes to Financial Statements

June 30, 2016

(with comparative financial information
for June 30, 2015)

(1) Organization and Summary of Significant Accounting Policies

Organization

Glassboro State – Rowan University Alumni Association was founded in 1924 by 120 members of the charter class at Rowan University, the former Glassboro State College. As of July 1, 2001, Glassboro State – Rowan University Alumni Association changed its name to Rowan University Alumni Association (the Association).

The Association is a not-for-profit organization which represents over 82,000 active alumni who live in all 50 states and approximately 35 foreign countries. All graduates of Rowan University (the University) are members of the Association. The Association sponsors special events, which benefit certain University programs or activities and Rowan University Foundation (the Foundation) Scholarships.

The Association is an organization described under Section 501(c)(3) of the Internal Revenue Code and therefore is exempt from Federal income taxes under Section 501(a) of the Code.

Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying financial statements have been prepared in accordance with U.S. generally accepted accounting principles as prescribed by the Financial Accounting Standards Board (FASB). These financial statements are prepared on the accrual basis of accounting and focus on the Association as a whole and present balances and transactions according to the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

- Unrestricted net assets – net assets not subject to any donor-imposed stipulations.
- Temporarily restricted net assets – net assets subject to donor-imposed stipulations that will be met by actions of the Association and/or by the passage of time.
- Permanently restricted net assets – net assets subject to donor-imposed stipulations that the principal be maintained in perpetuity by the Association. Generally, donors permit the Association to use all or part of the income earned on related deposits held in custody by the Foundation for general or specific purposes.

Revenues are reported as increases in unrestricted net assets unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Income and losses on deposits held in custody by the Foundation are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expiration of temporary restrictions on net assets is reported as net assets released from restrictions.

ROWAN UNIVERSITY ALUMNI ASSOCIATION

Notes to Financial Statements

June 30, 2016

(with comparative financial information
for June 30, 2015)

(b) Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional. Contributions of assets other than cash are recorded at their estimated fair value at the date of contribution.

(c) Deposits Held in Trust by Rowan University Foundation

Cash, cash equivalents, and investments are held by the Foundation for the Association and are classified as deposits held in trust by the Foundation in the accompanying statement of financial position. These funds are combined with the Foundation's assets in order to create a larger scale investment program.

Deposits held in trust by the Foundation are carried at fair value in the financial statements of the Foundation. The Foundation maintains a diverse investment portfolio which consists of bond mutual funds, common stock mutual funds, realty investments, and alternative investments. Complete financial statements of the Foundation can be obtained from the Office of the Chief Financial Officer, Rowan University, Glassboro, New Jersey.

As the Association is dependent on income earned from the deposits held in trust by the Foundation to fund a significant portion of the operations of the Association, a significant decrease in income earned may have a material impact on the financial position, changes in net assets, and cash flows of the Association.

(d) Contributed Facilities

The Association utilizes space and utilities provided by Rowan University. Management estimates that the costs to the University of providing such space and utilities are minimal and therefore such costs have not been included in the accompanying financial statements.

(e) Prior Year Summarized Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended June 30, 2015, from which the summarized information was derived.

(f) 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.

ROWAN UNIVERSITY ALUMNI ASSOCIATION

Notes to Financial Statements

June 30, 2016

(with comparative financial information
for June 30, 2015)

(2) Fair Value

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Accounting Standards Codification (ASC) 820, *Fair Value Measurements*, establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset or liabilities.

Fair value estimates are made at a specific point in time, based on available market information and judgments about the financial asset, including estimates of timing, amount of expected future cash flows and the credit standing of the issuer. In some cases, the fair value estimates cannot be substantiated by comparison to independent markets. In addition, the disclosed fair value may not be realized in the immediate settlement of the financial asset. In addition, the disclosed fair values do not reflect any premium or discount that could result from offering for sale at one time an entire holding of a particular financial asset. Potential taxes and other expenses that would be incurred in an actual sale or settlement are not reflected in amounts disclosed.

At June 30, 2016 and 2015, the Association's assets of \$1,533,237 and \$1,463,683 consist of deposits held in trust by the Foundation. These assets are reported at fair value and are considered Level 3 in the fair value hierarchy.

(3) Net Asset Balances

(a) *Temporarily Restricted Net Assets*

Temporarily restricted net assets as of June 30, 2016 and 2015 consist of contributions and accumulated earnings on deposits held in trust by the Foundation to be used for scholarships for students of Rowan University, alumni sponsored events and other program expenses.

ROWAN UNIVERSITY ALUMNI ASSOCIATION

Notes to Financial Statements

June 30, 2016

(with comparative financial information
for June 30, 2015)

As of June 30, 2016 and 2015, temporarily restricted net assets are available for the following purposes:

	<u>2016</u>	<u>2015</u>
Scholarships and fellowships	\$ 590,466	661,131
Other designated program support	336,433	210,539
	<u>\$ 926,899</u>	<u>871,670</u>

(b) Permanently Restricted Net Assets

Permanently restricted net assets as of June 30, 2016 and 2015 consist of contributions to be maintained permanently by the Association with the income on related deposits held in trust by the Foundation to be used for scholarships and fellowships for students of Rowan University.

Interpretation of Relevant Law

The donor restricted endowment funds are managed, invested and administered in accordance with the Uniform Prudent Management of Institutional Funds Act (the Act). The board of directors of the Association has interpreted the Act as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As of result of this interpretation, the Association classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Association in a manner consistent with the standard prudence prescribed by the Act. In accordance with the Act, the Association considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Association and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Association
7. The investment policies of the Association

ROWAN UNIVERSITY ALUMNI ASSOCIATION

Notes to Financial Statements

June 30, 2016

(with comparative financial information
for June 30, 2015)

Return Objectives and Risk Parameters

The Association follows the Foundation’s investment and spending policies for endowment assets that attempt to provide a predictable stream of income and growth, while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Association must hold in perpetuity. Under this policy, as approved by the Association’s board of directors, the endowment assets are invested in a manner that is intended to produce moderate to high rates of return while assuming a moderate to low level of investment risk.

The Association has one board-designated endowment fund. The following represents the net asset classes of the Association’s board-designated and donor-restricted endowment funds at June 30, 2016:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Board-designated endowment fund	\$ 9,871	—	—	9,871
Donor-restricted endowment fund	—	583,216	542,966	1,126,182
	<u>\$ 9,871</u>	<u>583,216</u>	<u>542,966</u>	<u>1,136,053</u>

The Association has one board-designated endowment fund. The following represents the net asset classes of the Association’s board-designated and donor-restricted endowment funds at June 30, 2015:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Board-designated endowment fund	\$ 10,346	—	—	10,346
Donor-restricted endowment fund	—	653,881	542,966	1,196,847
	<u>\$ 10,346</u>	<u>653,881</u>	<u>542,966</u>	<u>1,207,193</u>

ROWAN UNIVERSITY ALUMNI ASSOCIATION

Notes to Financial Statements

June 30, 2016

(with comparative financial information
for June 30, 2015)

The following table presents changes in endowments for the year ended June 30, 2016:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets at July 1	\$ 10,346	653,881	542,966	1,207,193
Income earned on deposits held in trust by Rowan University Foundation	25	(21,709)	—	(21,684)
Appropriation of endowment assets for expenditure	(500)	(48,956)	—	(49,456)
	<u>\$ 9,871</u>	<u>583,216</u>	<u>542,966</u>	<u>1,136,053</u>

The following table presents changes in endowments for the year ended June 30, 2015:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets at July 1	\$ 10,819	671,810	542,966	1,225,595
Income earned on deposits held in trust by Rowan University Foundation	27	24,321	—	24,348
Appropriation of endowment assets for expenditure	(500)	(42,250)	—	(42,750)
	<u>\$ 10,346</u>	<u>653,881</u>	<u>542,966</u>	<u>1,207,193</u>

(4) Subsequent Events

The Association evaluated events subsequent to June 30, 2016 through November 16, 2016, the date on which the financial statements were issued. The Association determined there were no subsequent events to disclose.