



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

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

June 30, 2021 and 2020

(With Independent Auditors' Report Thereon)

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

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Independent Auditors' Report

The Board of Trustees
Rowan University:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of Rowan University (the University), a component unit of the State of New Jersey, as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of Rowan University as of June 30, 2021 and 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with U.S. generally accepted accounting principles.



Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3 through 14 and the schedules of employer contributions and schedules of proportionate share of net pension liability on pages 70 and 71, respectively, and the schedule of proportionate share of the total OPEB liability on page 72 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

KPMG LLP

Short Hills, New Jersey
April 29, 2022

Introduction

This section of Rowan University's (the University) financial statements presents our discussion and analysis of the University's financial performance for the fiscal year ended June 30, 2021 and 2020 with comparative amounts for the year ended June 30, 2019. Since this discussion and analysis is designed to focus on current activities, it should be read in conjunction with the University's basic financial statements, which follows this section. Management has prepared the financial statements and the related note disclosures, along with the discussion and analysis.

University Overview

Rowan University is a public research university with campuses located in Glassboro, Camden and Stratford, New Jersey. It is recognized for its nationally ranked academic and athletic programs, talented professors and high-tech facilities. Rowan prides itself on being able to provide its approximately 19,600 students an outstanding education at an exceptional value.

The University is comprised of seven academic colleges and five schools, including the William G. Rohrer College of Business; the Ric Edelman College of Communication and Creative Arts; the Henry M. Rowan College of Engineering; the Colleges of: Education, Humanities and Social Sciences, Performing Arts, and Science and Mathematics; the Cooper Medical School of Rowan University; the Rowan University School of Osteopathic Medicine; the Graduate School of Biomedical Sciences; the School of Nursing and Health Professions; and the School of Earth and Environment, along with an Honors College. Rowan's Division of Global Learning and Partnerships offers flexible undergraduate and graduate programs on campus and off site – including at two area community colleges – and online. Within these colleges and schools the University offers more than 90 bachelor's degrees, 48 master's degrees, eight doctoral degrees (Ed.D. and Ph.D.) and two professional degrees, a Doctor of Medicine (M.D.) and a Doctor of Osteopathic Medicine (D.O.).

Rowan is one of two public universities in the nation to offer M.D. and D.O. medical degree programs. The institution is also home to the South Jersey Technology Park, which fosters the translation of applied research into commercial products and processes. U.S. News & World Report, in its "Best Colleges 2022" special edition, ranked Rowan University #88 among public universities and #179 among all National Universities. The Carnegie Classification of Institutions of Higher Education has designated Rowan as an R2 institution (high research activity), making it just one of 135 of more than 4,300 colleges and universities across the country with that distinction.

Rowan University is licensed and authorized by the State of New Jersey (the State) to offer baccalaureate degrees, post-baccalaureate certificates, master's degrees, specialist programs, graduate certificates, doctoral programs, and professional programs in accordance with its programmatic mission as a comprehensive public research university. The New Jersey Legislature appropriates funds annually to support the University. However, the University operates autonomously from the State. Rowan is accredited by the Middle States Commission on Higher Education.

Financial Statements

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

Statement of Net Position

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

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

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

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

A condensed summary of the University's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position as of June 30, 2021, 2020, and 2019 follows:

Condensed Statements of Net Position (in thousands)				
		2021	2020	2019
Current assets	\$	274,382	229,814	194,198
Capital assets, net		942,530	925,455	917,427
Other noncurrent assets		213,427	142,516	168,365
Total assets		1,430,339	1,297,785	1,279,990
Deferred outflows of resources		53,376	60,445	74,910
Total assets and deferred outflows of resources		1,483,715	1,358,230	1,354,900
Current liabilities		134,547	138,799	96,809
Noncurrent liabilities		1,026,515	936,958	964,502
Total liabilities		1,161,062	1,075,757	1,061,311
Deferred inflows of resources		207,497	195,124	193,157
Total liabilities and deferred inflows of resources		1,368,559	1,270,881	1,254,468
Net position:				
Net investment in capital assets		185,488	210,060	210,174
Restricted expendable		29,508	22,923	24,432
Unrestricted		(99,840)	(145,634)	(134,174)
Total net position	\$	115,156	87,349	100,432

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

Fiscal Year 2021 Compared to 2020

The University's total assets increased \$132.5 million from \$1,297.8 million at June 30, 2020 to \$1,430.3 million at June 30, 2021. Current assets increased \$44.6 million, capital assets increased \$17.1 million, and other noncurrent assets increased \$70.9 million.

The primary causes for the changes in assets are as follows:

- Within current assets, unrestricted cash and cash equivalents increased \$26.3 million as a result of increased accounts payables and timing of investment maturities. Receivables increased by \$14.3 million primarily as a result of timing around state reimbursement and professional services revenues of \$8.4 million and \$4.6 million, respectively, and an increase in grants receivables of \$4.8 million as a result of the increased activity, offset by a decrease of \$2.0 million as a result of timing of Rowan University Foundation gift transfers.
- Net capital assets increased approximately \$17.1 million primarily due to an increase of \$71.4 million in assets largely as a result of a new capital lease for the University's School of Osteopathic Medicine and the progress on Discovery Hall and the Jean and Ric Edelman Fossil Park, offset by depreciation of \$56.2 million.
- Other noncurrent assets increased \$70.9 million for the year ended June 30, 2021. The increase is primarily due to a \$60.2 million increase in restricted deposits held by trustees which is driven by the issuance of the Series 2021 Bonds and Series 2021 Notes in the amounts of \$64.8 million and \$24.5 million, respectively, and an increase in investments of \$10.8 million.

Deferred outflows of resources decreased \$7.1 million primarily due to the recognition of a \$5.6 million reduction of deferred outflows of resources in fiscal year 2021 related to pensions in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68). Additionally, the loss on bond refinancing decreased \$1.5 million as a result of amortization of the respective bond issuances outstanding.

Current liabilities decreased \$4.3 million. The decrease is primarily attributed to a \$9.6 million decrease in unearned revenue due to the credits provided to students in fiscal year 2020 as a result of COVID-19 refunds being applied against fiscal year 2021 tuition bills and a \$10.3 million decrease resulting from the termination of the swap. This was offset by the increase in accounts payable and accrued expenses of \$12.1 million as a result of the University's cash management efforts through the pandemic and an increase of \$3.6 million in current long-term debt.

Noncurrent liabilities increased \$89.6 million. This increase is due primarily to an increase in long-term debt of \$104.7 million, which is mostly attributed to the capital lease for the School of Osteopathic Medicine and the issuance of the Series 2021 Bonds and Series 2021 Notes, offset by a decrease in the pension liability of \$18.3 million.

Deferred inflows of resources increased \$12.4 million due primarily to the increase of \$5.6 million for the service concession arrangement and the increase of \$7.1 million in pension related deferred inflows of resources.

Total net position increased by \$27.8 million at June 30, 2021 which is primarily the result of a \$45.8 million increase in unrestricted net position, a \$6.6 million increase the expendable restricted net position, offset by a \$24.6 million decrease of net investment of capital assets.

Fiscal Year 2020 Compared to 2019

The University's total assets and deferred outflows of resources increased \$3.3 million from \$1,354.9 million at June 30, 2019 to \$1,358.2 million at June 30, 2020. Current assets increased \$35.6 million, capital assets increased \$8.0 million, other noncurrent assets decreased \$25.8 million and deferred outflows of resources decreased \$14.5 million.

The primary causes for the changes in assets and deferred outflows are as follows:

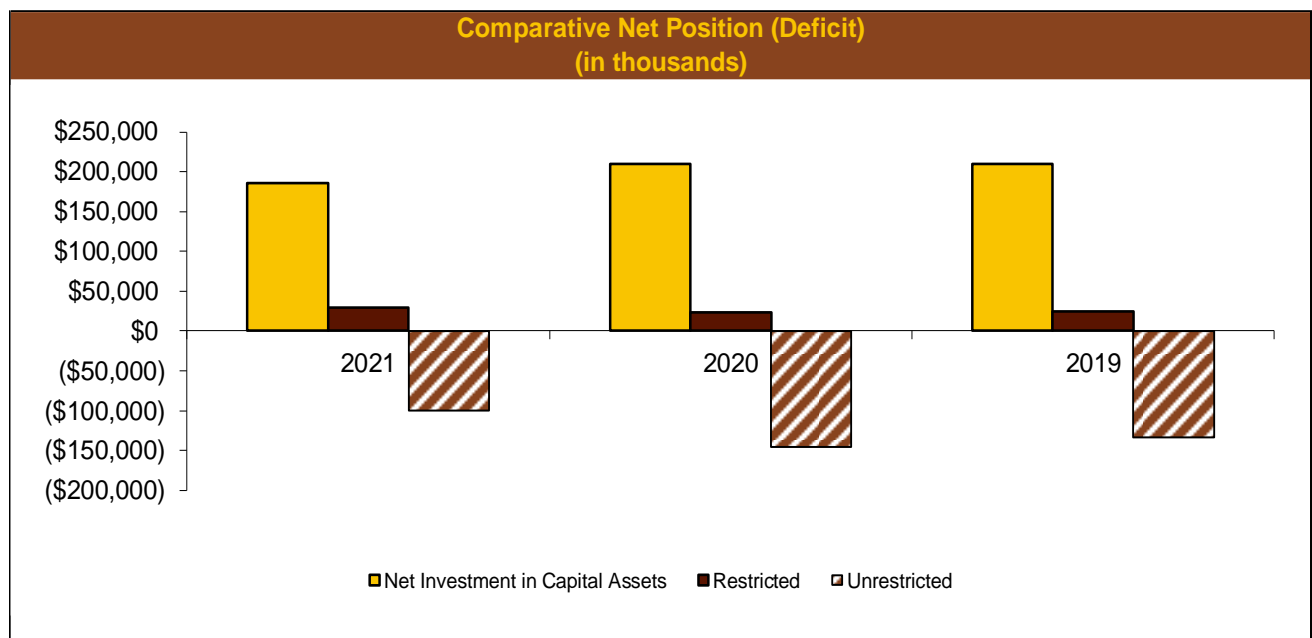
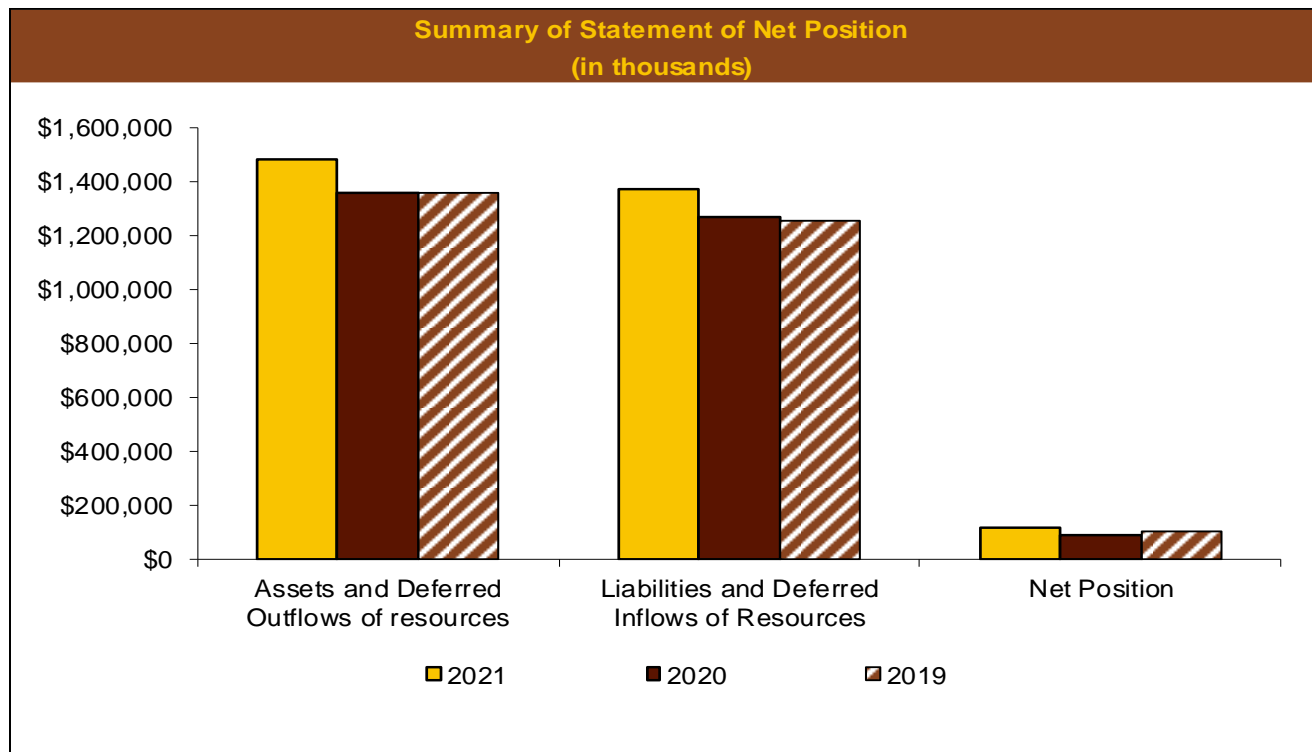
- Within current assets, unrestricted cash and cash equivalents increased \$20.9 million as a result of increased accounts payables and deferred revenues. Receivables increased by \$8.0 million primarily as a result of timing of receipt of component unit gift transfers and professional services revenues of \$2.6 million and \$2.2 million, respectively, and an increase in grants receivables of \$2.0 million as a result of the increased activity.
- Net capital assets increased approximately \$8.0 million primarily due to an increase of \$51.3 million in assets, offset by depreciation of \$44.1 million.
- Other noncurrent assets decreased \$25.8 million for the year ended June 30, 2020. The decrease is primarily due to a \$28.0 million decrease in restricted deposits held by trustees which is driven by the drawdowns of the 2019 series bond for \$24.4 million, offset by an increase of \$3.3 million in receivables for state reimbursement related to Coronavirus Aid, Relief, and Economic Security (CARES) Act deferral of the employer portion of FICA.
- Deferred outflows of resources decreased \$14.5 million primarily due to the recognition of a \$13.0 million reduction of deferred outflows of resources in fiscal year 2020 related to pensions in accordance with GASB 68. Additionally, the loss on bond refinancing decreased \$1.5 million as a result of amortization of the respective bond issuances.

Current liabilities increased \$42.0 million. The increase is primarily attributed to the increase in accounts payable and accrued expenses of \$20.5 million as a result of the University's cash management efforts in response to the onset of the pandemic. Additionally, a \$9.6 million increase in unearned revenue due to credits applied to student accounts as a result of COVID-19 and a \$10.3 million increase resulting from the current classification of the swap liability.

Noncurrent liabilities decreased \$27.5 million. This decrease is due primarily to a decrease in long-term debt of \$24.1 million, a decrease in swap liability of \$3.6 million related to the now current classification of the liability, and a decrease in the pension liability of \$4.0 million, offset by the establishment of a \$4.6 million liability due to the Internal Revenue Service in other liabilities for the repayment of the CARES Act deferral of the employer portion of FICA.

Deferred inflows of resources increased \$2.0 million due primarily to the increase of \$6.6 million for the service concession arrangement offset by the decrease of \$4.4 million in pension related deferred inflows of resources.

Total net position decreased by \$13.1 million at June 30, 2020 which is primarily the result of an \$11.5 million decrease in unrestricted net position, a \$1.5 million decrease the expendable restricted net position, and a \$0.1 million decrease of net investment of capital assets.



Statement of Revenues, Expenses, and Changes in Net Position

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

Generally speaking, operating revenues are received for providing goods and services to the various customers and constituencies of the University. 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 University. 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 State to the University without the State directly receiving commensurate goods and services for those revenues.

The statement of revenues, expenses, and changes in net position presents the University's results of operations. A condensed summary of the University's revenues, expenses, and changes in net position for the years ended June 30, 2021, 2020, and 2019 as follows:

Condensed Statements of Revenue, Expenses, and Changes in Net Position (in thousands)			
	2021	2020	2019
Operating revenues:			
Net student revenues	\$ 260,062	277,444	266,719
Grants	94,614	89,638	85,156
Professional services and contracts, net	57,418	53,448	51,614
Other	8,812	11,045	10,776
Total operating revenues	420,906	431,575	414,265
Operating expenses	623,488	571,741	582,991
Operating loss	(202,582)	(140,166)	(168,726)
Nonoperating revenues (expenses):			
State appropriations	191,890	145,726	182,197
Gifts from Rowan University Foundation	11,808	10,548	10,929
Investment income (loss), net	7,485	(1,549)	2,802
Interest on capital asset related debt	(36,282)	(43,367)	(36,697)
Other nonoperating revenues, net	54,598	12,417	2,451
Net nonoperating revenues	229,499	123,775	161,682
Income (loss) before other revenues	26,917	(16,391)	(7,044)
Capital grants	890	3,308	9,693
Increase (decrease) in net position	27,807	(13,083)	2,649
Net position – beginning of year	87,349	100,432	97,783
Net position – end of year	\$ 115,156	87,349	100,432

Fiscal Year 2021 Compared to 2020

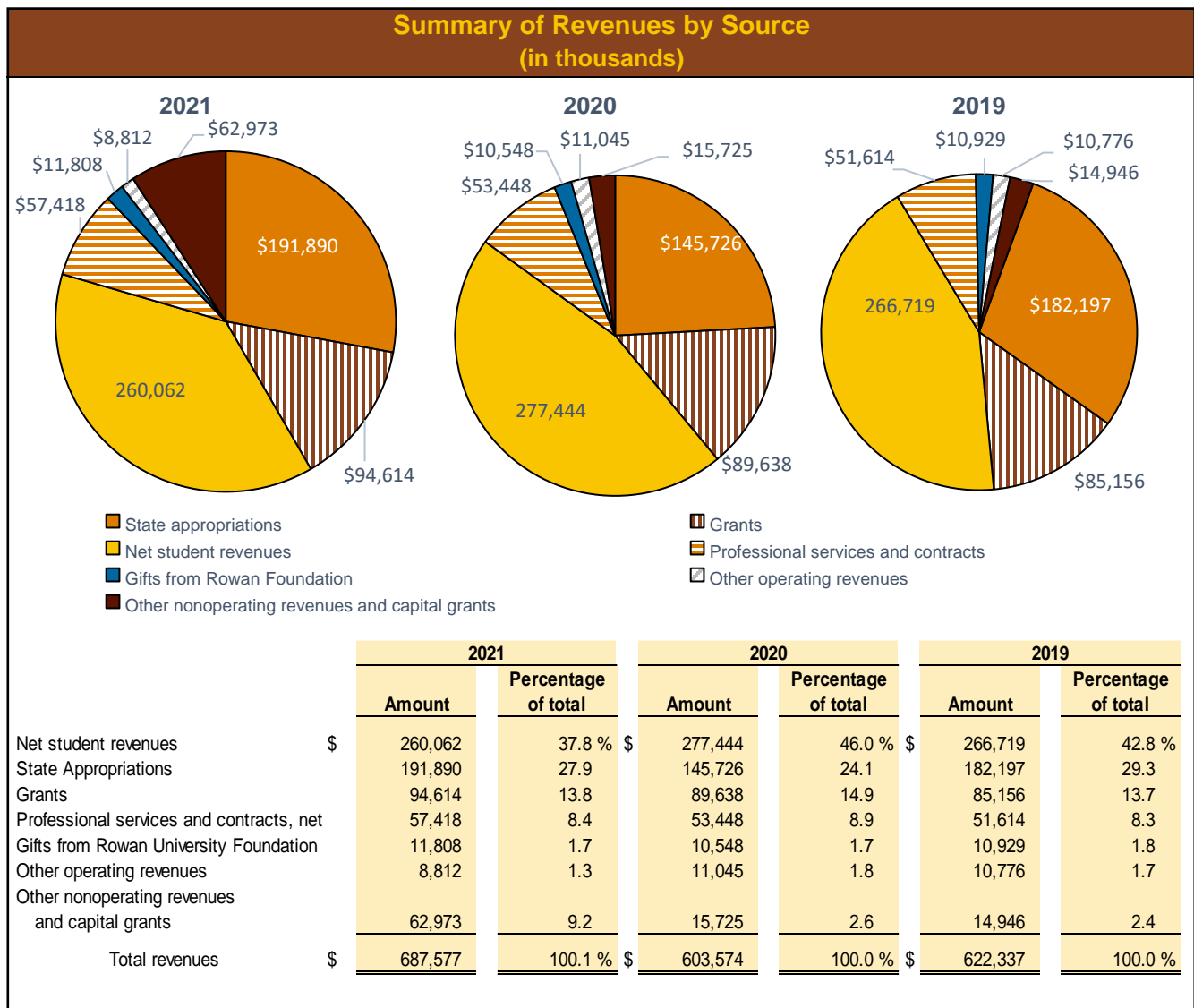
The University's net position increased \$27.8 million in fiscal year 2021. This net amount represents the total revenue available to the University of \$687.6 million compared to total expenses of \$659.8 million.

Fiscal Year 2020 Compared to 2019

The University's net position decreased \$13.1 million in fiscal year 2020. This net amount represents the total revenue available to the University of \$603.6 million compared to total expenses of \$616.7 million.

Revenues

To fund its operations, the University receives revenues from a variety of operating and nonoperating sources including tuition and fees, auxiliary services, grants, professional services and contracts, State of New Jersey appropriations, gifts from the Rowan University Foundation and investment income. The University is continuing to seek additional funds from all possible sources to adequately fund operating activities. A summary of revenues for the years ended June 30, 2021, 2020, and 2019 as follows:



Operating Revenues

Fiscal Year 2021 Compared to 2020

Operating revenues for fiscal year ended June 30, 2021 decreased \$10.7 million over fiscal year 2020. The majority of this decrease is due to a reduction in net student revenues of \$17.4 million offset by an increase of \$5.0 million and \$4.0 million in grants and professional services, respectively. The decrease in net student revenues was in part due to the decision of the University's Board of Trustees to offer a 10% tuition and fee discount to undergraduate students in fiscal year 2021 as a response to the pandemic and the needs of its students, which is in line with its strategic pillars around access and affordability. Net student revenues were also impacted by a decrease in housing revenue reflected in auxiliary revenue on the Statement of Revenue, Expenses, and Changes in Net Position. The increase in grants is due to the University's efforts in increasing grant revenue from federal, state and private funding sources.

Fiscal Year 2020 Compared to 2019

Operating revenues for fiscal year ended June 30, 2020 increased \$17.3 million over fiscal year 2019. The majority of this increase is due to an increase in net student revenues of \$10.7 million and an increase of \$4.5 million in grants. The increase in net student revenues is due to increases in enrollment and tuition and fee rates, offset by auxiliary refunds to students associated with campus closures during the spring semester caused by the COVID-19 pandemic. The increase in grants is due to the University's efforts in increasing grant revenue from federal, state and private funding sources.

Nonoperating Revenues (Net)

Fiscal Year 2021 Compared to 2020

Nonoperating revenues (net) for the years ended June 30, 2021 and 2020 totaled \$229.5 million and \$123.8 million, respectively, which is a \$105.7 million increase. A significant source of the increase was the other nonoperating revenue increase of \$42.2 million. This is primarily the result of \$53.5 million of funding recognized through the CARES Act and the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) in fiscal year 2021 offset by \$2.2 million of bond issuance cost. State of New Jersey appropriations include the University base appropriation as well as appropriations for the Cooper Medical School of Rowan University, the School of Osteopathic Medicine, other postemployment benefits (OPEB) revenues and the State paid fringe benefits. The University recorded \$191.9 million and \$145.7 million in State appropriations for fiscal year 2021 and 2020, respectively. State of New Jersey appropriations increased \$46.2 million of which \$15.7 million was fringe benefits as a result of an increased fringe rate and additional state authorized positions, \$12.5 million was a base appropriation increase, \$7.7 million was related to OPEB revenues, \$5.5 million was for the School of Osteopathic Medicine, and \$4.8 million was for the Cooper Medical School of Rowan University.

Capital grants decreased in fiscal year 2021 by \$2.4 million primarily due to the reduction of expenditures related to the Joint Health Science Center in Camden and the Academic Space Expansions projects which are part of the University's capital grants awarded through the New Jersey Higher Education Capital Financing Grant Program.

Fiscal Year 2020 Compared to 2019

Nonoperating revenues (net) for the years ended June 30, 2020 and 2019 totaled \$123.8 million and \$161.7 million, respectively, which is a \$37.9 million decrease. The primary source of the decrease was \$36.5 million decrease in the State of New Jersey appropriations of which \$20.0 million was related to OPEB revenues and \$12.2 million was held back as a State response to the pandemic. State of New Jersey appropriations include the University base appropriation as well as appropriations for the Cooper Medical School of Rowan University, the School of Osteopathic Medicine, OPEB revenues and the State paid fringe benefits. The University recorded \$145.7 million and \$182.2 million in State appropriations for fiscal year 2020 and 2019, respectively. The other nonoperating revenue increase of \$10.0 million was primarily the result of \$8.0 million of funding recognized through the CARES Act in fiscal year 2020. The increase in other nonoperating revenues

was offset by a \$4.4 million decrease in investment income primarily tied to the swap liability and a \$6.7 million increase in interest on capital asset debt related to capital lease interest and the timing of the 2019 bond.

Capital grants decreased in fiscal year 2020 by \$6.4 million primarily due to the reduction of expenditures related to the Joint Health Science Center in Camden and the Academic Space Expansions projects which are part of the University's capital grants awarded through the New Jersey Higher Education Capital Financing Grant Program.

Operating Expenses

Operating expenses are defined as expenses paid by the University to acquire or produce goods and services used to carry out its mission, in return for operating revenues. For the years ended June 30, 2021 and 2020, the University incurred operating expenses totaling \$623.5 million and \$571.7 million, respectively. The increase of \$51.8 million in operating expenses for fiscal year 2021 versus 2020 is a 9.1% increase from the prior year.

The increase of \$51.8 million is primarily driven by a \$24.0 million increase in grant expenditures tied to an increase in grant revenue recorded in both grant operating revenue and other nonoperating revenue, and an increase of \$12.1 million of depreciation primarily related a change in the useful life of one building in fiscal year 2020, a \$7.7 million increase in OPEB, a \$5.0 million increase in non-grant salary and benefits, \$9.9 million increase operating expenditures, offset by a \$10.2 million reduction of net pension expense.

A summary of operating expenses for the years ended June 30, 2021, 2020 and 2019 follows:

Summary of Expenses (in thousands)						
	2021		2020		2019	
	Amount	Percentage of total	Amount	Percentage of total	Amount	Percentage of total
Instruction	\$ 183,555	29.4 %	\$ 175,565	30.6 %	\$ 174,196	29.9 %
Research	26,855	4.3	23,255	4.1	21,033	3.6
Public service	17,240	2.8	14,280	2.5	11,695	2.0
Academic support	49,465	7.9	48,449	8.5	44,155	7.6
Student services	34,149	5.5	33,620	5.9	33,525	5.8
Institutional support	80,679	12.9	84,515	14.8	87,859	15.1
Operation and maintenance of plant	37,723	6.1	36,307	6.4	38,058	6.5
Student aid	33,220	5.3	21,654	3.8	14,239	2.4
Professional services and contracts	54,068	8.7	51,494	9.0	50,793	8.7
Auxiliary enterprises	43,147	6.9	37,733	6.6	35,194	6.0
Other Postemployment Benefits (OPEB)	9,961	1.6	2,282	0.4	22,328	3.8
Depreciation and amortization	53,426	8.6	42,587	7.4	49,916	8.6
Total operating expenses	\$ 623,488	100.0 %	\$ 571,741	100.0 %	\$ 582,991	100.0 %

Capital Assets and Debt Activities

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

As of June 30, 2021 and 2020, the University had \$185.5 million and \$210.1 million, respectively in net investment in capital assets. Outstanding long-term debt as of June 30, 2021 is \$762.3 million, compared to \$654.0 million as of June 30, 2020.

Significant transactions related to capital assets and bonded debt that occurred during fiscal year 2021 and 2020 were as follows:

In July 2020, the Camden County Improvement Authority (CCIA) issued Rowan University Series 2020A Bonds. The 2020A tax exempt revenue refunding bonds totaled \$63,740,000 with a coupon rate of 5.000% and maturing through 2035. The proceeds from these bond issuances were used to refund and redeem the 2010A Bonds, and pay the costs and expenses incurred in the issuance of the 2020A Bonds. The principal amounts of these bonds were \$63,740,000 as of June 30, 2021.

In July 2020, the CCIA issued Rowan University Series 2020B Bonds. The 2020B federally taxable revenue refunding bonds totaled \$10,760,000 with coupon rates ranging from 1.125% to 1.330% and maturing through 2023. The proceeds from these bond issuances were used to pay the costs related to the Swap termination in connection with the refunding of the 2010A Bonds, and pay the costs and expenses incurred in the issuance of the 2020B Bonds. The principal amounts of these bonds were \$10,760,000 as of June 30, 2021.

In April 2021, the Gloucester County Improvement Authority (GCIA) issued Rowan University Series 2021 Bonds. The 2021 tax exempt loan revenue bonds totaled \$64,780,000 with coupon rates ranging from 4.000% to 5.000% and maturing through 2052. The proceeds from these bond issuances were used to finance a portion of the costs of a project consisting of construction of an approximately thirty thousand one hundred fifty square foot museum/visitors center and a hiking trail on property in Mantua Township, Gloucester County, a portion of the costs of a project consisting of the construction of an approximately thirty thousand square foot expansion of the Chamberlain Student Center, capitalized interest on the 2021 Bonds, and the costs and expenses incurred in the issuance and sale of the 2021 Bonds. The principal amounts of these bonds were \$64,780,000 as of June 30, 2021.

In April 2021, the GCIA issued Rowan University Series 2021 Notes. The 2021 tax exempt loan revenue notes totaled \$24,500,000 with a coupon rate of 0.600% and maturing through 2025. The proceeds from these bond issuances were used to finance a portion of the costs of the Student Center Project, capitalized interest on the 2021 Notes, and the costs and expenses incurred in the issuance and sale of the 2021 Notes. The principal amounts of these bonds were \$24,500,000 as of June 30, 2021.

In October 2019, the University entered into a lease agreement with Rowan College of South Jersey (RCSJ) to construct a primarily bond funded building for use by the University to expand SOM and growth in the areas of family medicine, pediatrics, pain management, and psychiatry. The building will include a café/food service space reserved to RCSJ that the University has non-exclusive rights to use. In March 2021, the University began occupying the building for use by the SOM Faculty Practice Plans. The term of the lease is 30 years from the date the building was substantially completed. The University will have the option to purchase the property including the café, at the bond term expiration for \$1.00 consideration. The University has a capital lease payable as of June 30, 2021 in the amount of \$20,132,545.

Economic Outlook

Rowan University's mission is to become a new model for higher education by being inclusive, agile, and responsive, offering diverse scholarly and creative educational experiences, pathways, environments, and services to meet the needs of all students; maintaining agility by strategically delivering organizational capacity across the institution; and responding to emerging demands and opportunities regionally and nationally. The University engages in continuous strategic planning in response to the dynamic context of higher education.

The University engages in continuous strategic planning in response to the dynamic context of higher education. A concise planning framework is utilized that identifies key external and internal factors that shape the strategic direction of the University, sets long-term goals, articulates operational values, and identifies key performance indicators. At the center of the plan are the four strategic pillars:

Access - We are committed to expanding quality educational opportunities for students by increasing our enrollment capacity; supporting student success; utilizing an increasing array of pedagogies and platforms; and creating new pathways to undergraduate, graduate, post-graduate, and professional studies.

Affordability - We are committed to keeping education affordable by managing costs; diversifying our revenue streams; reducing student debt; limiting tuition increases to the rate of inflation as measured by the consumer price index; and enhancing internship and employment opportunities for our students and graduates.

Quality - We are committed to providing rigorous, experiential, and engaging educational experiences; support for scholarly, creative, and research activities; a vibrant and healthy campus life; a rich intellectual, cultural, and artistic environment; and a safe, supportive, and inclusive culture that respects and values the diversity of all of its members.

Economic Engine - We are committed to benefiting our local and state communities by making every effort to partner with and invest in regional businesses and organizations that contribute in meaningful ways to furthering our mission; preparing an educated citizenry and skilled workforce; enhancing the health of our citizens and the quality of life; and developing innovative products, services, and ideas.

The four pillars express the University's priorities and guide planning and resource allocation. The functional groups involved in design and execution of the strategic plan include the Board of Trustees, the Executive Cabinet, the Administrative Cabinet, and the Deans' Council. The Strategic Priorities Council, University Senate, and University Budget and Planning Committee are representative bodies charged with engaging the campus community in the strategic planning process. Through the process of continuing strategic planning and self-assessment, the University is committed in its efforts to continue to enrich the lives of those in the campus community and surrounding region.

The University has seen significant impacts in fiscal year 2021 and 2020 related to the COVID-19 pandemic that have resulted in reduced revenues and increased expenditures. These impacts have included the issuance of student refunds for auxiliary services the University could no longer provide during the campus closures mandated by the State in Spring 2020; the need to take immediate steps to initiate technological upgrades to transition to distance learning, remote research, and remote working to maintain academic and business continuity; reductions in student revenues; necessary testing and contact tracing services for students and staff for COVID-19; additional facilities and dormitory cleanings; increased purchases of cleaning, sanitizing, disinfecting supplies and equipment; reductions in conference and events rental revenues; maintaining payrolls of individuals that could not perform their on-site job responsibilities during the campus closures; and many more. These impacts also resulted in the repurposing of certain personnel responsibilities and deferrals of other project timelines during this time to maintain the University's flexibility to adapt to the current situation.

In order to reduce the financial impact of the pandemic, the University has been able to utilize \$53.5 million of pandemic aid received through various programs generated by the CARES and CRRSAA acts in fiscal year 2021, of which \$10.8 million was provided as emergency aid grants to students whose lives have been disrupted and are facing financial challenges due to the pandemic. Of the remaining \$42.7 million, the residual \$3.6 million of institutional funding allocated through the Higher Education Emergency Relief Fund under the CARES Act in fiscal year 2020 was used for recovery of auxiliary refunds provided to students in Spring 2020; \$5.3 million received through the State's Governor's Education Emergency Relief Fund was applied to partially support the University's 10% tuition and fee discounts provided to undergraduate students in fiscal year 2021 to assist with the cost of attendance during the pandemic; \$16.3 million received as a beneficiary of a state assistance program through the State's Office of the Secretary of Higher Education's allocation of the State's Coronavirus Relief Funds under the CARES Act was applied towards offsetting a portion of the salaries that were substantially dedicated to the University's pandemic response, student and employee COVID-19 testing costs, increased facility sanitizing and disinfecting services, procurement of personal protective equipment and disinfectant purchases, the installation of tents and other social distancing installations to allow for increased space for social distancing guidelines and ensuring the safety of students, faculty and staff; allocated through the Higher Education Emergency Relief Fund under the CRRSAA act in fiscal year 2021 was applied towards the recovery of fiscal year 2021 lost housing revenues, student and employee COVID-19 testing costs, and increased facility sanitizing and disinfecting services; \$1.0 million received through the Strengthening Institutions Program funding allocated through the Higher Education Emergency Relief Fund under the CRRSAA act in fiscal year 2021 was applied towards the recovery of fiscal year 2021 lost housing revenues; and \$0.6 million received through the Health and Human Service's Provider Relief Fund under the CARES Act was applied to assist with the recovery of lost patient revenues at the Rowan School of Osteopathic Medicine's faculty practice plans. In fiscal year 2021, the University was also awarded \$40.8 million of assistance through the Higher Education Emergency Relief fund under the American Rescue Plan Act of 2021 (ARP), of which \$20.5 million has been awarded for emergency aid grants to students whose lives have been disrupted and are facing financial challenges due to the pandemic, with the remaining \$20.3 million to be applied towards institutional assistance in defraying costs associated with monitoring and suppressing the spread of the coronavirus on campus, outreach to financial aid applicants, and other various expenditures incurred due to the pandemic.

Looking forward, the University continues to adapt and respond to the challenges posed by the evolving risks related to the COVID-19 pandemic. Ultimately, the University cannot predict the duration, severity, or ultimate impact of the COVID-19 pandemic, or the intervening legislative and gubernatorial measures in response thereto, upon global, State-wide and local economies and operations, including those of the University. Additionally, the University cannot predict the effect that the spread of COVID-19 will have on its respective operations in the future. Consequently, historical trends may not be indicative of future results for the foreseeable future.

State appropriations remain a vital source of funding for the University. Fiscal year 2021 appropriations for Rowan University recovered from fiscal year 2020 State-imposed reductions instituted during the pandemic. With increasing costs, particularly resulting from contractual obligations with faculty and staff and debt service, the University faces critical funding issues. Additionally, the University's desire to increase institutionally funded scholarships, continue building its academic program excellence and improve its capital assets will also impact the University's financial outlook.

The University continues to monitor local and national economic conditions as well as demographic changes that may impact the student-age population and the percentage of that population that pursues a college degree. The University will continue to meet the goals of its mission by monitoring operating costs and capital expenditures while 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.

ROWAN UNIVERSITY
(A Component Unit of the State of New Jersey)
Statement of Net Position
June 30, 2021

	Rowan University	Rowan University Foundation	South Jersey Technology Park at Rowan University, Inc.	Total
Assets				
Current assets:				
Cash and cash equivalents (notes 2 and 13)	\$ 96,841,879	8,593,411	1,267,467	106,702,757
Restricted cash and cash equivalents (notes 2 and 13)	3,373,265	5,720,764	—	9,094,029
Receivables:				
Students, less allowance of \$2,753,006	7,446,002	—	—	7,446,002
Contributions, less allowance of \$5,799	—	10,018	—	10,018
Restricted contributions, less allowance of \$67,457	—	158,209	—	158,209
Grants	21,898,400	—	—	21,898,400
State of New Jersey	13,524,135	—	—	13,524,135
Professional services and contracts receivable, less allowance of \$3,956,083	10,416,280	—	—	10,416,280
Due from Rowan component unit	623,759	—	129,460	753,219
Interest and other	1,951,883	253,014	—	2,204,897
Total receivables	55,860,459	421,241	129,460	56,411,160
Restricted deposits held by trustees (note 3)	26,913,153	—	—	26,913,153
Investments, at fair value (note 2)	85,476,586	—	—	85,476,586
Other current assets	5,916,340	7,500	4,666	5,928,506
Total current assets	274,381,682	14,742,916	1,401,593	290,526,191
Noncurrent assets:				
Restricted deposits held by trustees (note 3)	103,265,165	—	—	103,265,165
Investments, at fair value (notes 2 and 13)	102,568,919	82,955,010	—	185,523,929
Restricted investments, at fair value (note 13)	—	55,224,402	—	55,224,402
Restricted nonexpendable investments, at fair value (note 13)	—	184,286,100	—	184,286,100
Loans receivable	2,408,338	—	—	2,408,338
Other non current assets	800,000	—	—	800,000
State of New Jersey receivable	3,833,285	—	—	3,833,285
Contributions receivable, less allowance of \$4,926	—	93,588	—	93,588
Due from Rowan component unit	550,753	—	—	550,753
Restricted contributions receivable, less allowance of \$131,930	—	2,506,661	—	2,506,661
Capital assets, net (notes 4 and 12)	942,530,192	—	9,883,812	952,414,004
Total noncurrent assets	1,155,956,652	325,065,761	9,883,812	1,490,906,225
Total assets	1,430,338,334	339,808,677	11,285,405	1,781,432,416
Deferred Outflows of Resources				
Deferred outflows of resources:				
Pensions related (note 6)	37,336,006	—	—	37,336,006
Loss on bond refinancing	16,039,797	—	—	16,039,797
Total deferred outflows of resources	53,375,803	—	—	53,375,803
Liabilities				
Current liabilities (note 10):				
Accounts payable and accrued expenses (note 7)	81,175,605	86,455	35,267	81,297,327
Due to University/ component units	129,840	408,276	215,103	753,219
Unearned revenue	28,186,485	161,800	—	28,348,285
Annuities payable – current portion	—	29,230	—	29,230
Long-term debt – current portion (note 8)	25,054,487	—	241,684	25,296,171
Total current liabilities	134,546,417	685,761	492,054	135,724,232
Noncurrent liabilities (note 10):				
Compensated absences – noncurrent portion (note 12)	2,915,662	—	—	2,915,662
Due to University/ component units	—	—	550,753	550,753
Unearned revenue	2,347,396	—	—	2,347,396
Other liabilities	7,012,022	—	—	7,012,022
Repurchase liability	3,220,000	—	—	3,220,000
Deposits held in custody for others	3,905,493	—	—	3,905,493
Annuities payable – noncurrent portion	—	203,287	—	203,287
Net pension liabilities (note 6)	269,832,080	—	—	269,832,080
Long-term debt – noncurrent portion (note 8)	737,282,139	—	3,871,158	741,153,297
Total noncurrent liabilities	1,026,514,792	203,287	4,421,911	1,031,139,990
Total liabilities	1,161,061,209	889,048	4,913,965	1,166,864,222
Deferred Inflows of Resources				
Deferred inflows of resources:				
Pensions related (note 6)	70,496,972	—	—	70,496,972
Gain on bond refinancing	96,025	—	—	96,025
Developer contribution	5,705,000	—	—	5,705,000
Service concession arrangement (note 12)	131,198,985	—	—	131,198,985
Split interest agreements	—	153,356	—	153,356
Total deferred inflows of resources	207,496,982	153,356	—	207,650,338
Net Position				
Net investment in capital assets	185,487,691	—	5,043,850	190,531,541
Restricted:				
Nonexpendable (note 13)	—	184,286,100	—	184,286,100
Expendable:				
Debt service and reserve	26,309,983	—	—	26,309,983
Other scholarships	—	20,185,182	—	20,185,182
Other	3,198,628	43,299,494	—	46,498,122
Unrestricted	(99,840,356)	90,995,497	1,327,590	(7,517,269)
Total net position	\$ 115,155,946	\$ 338,766,273	\$ 6,371,440	\$ 460,293,659

See accompanying notes to basic financial statements.

ROWAN UNIVERSITY
(A Component Unit of the State of New Jersey)
Statement of Net Position
June 30, 2020

	Rowan University	Rowan University Foundation	South Jersey Technology Park at Rowan University, Inc.	Total
Assets				
Current assets:				
Cash and cash equivalents (notes 2 and 13)	\$ 70,580,970	6,499,480	1,402,107	78,482,557
Restricted cash and cash equivalents (notes 2 and 13)	2,174,356	3,797,346	—	5,971,702
Receivables:				
Students, less allowance of \$2,395,203	7,703,644	—	—	7,703,644
Contributions, less allowance of \$20,383	—	8,547	—	8,547
Restricted contributions, less allowance of \$98,628	—	305,174	—	305,174
Grants	17,059,889	—	—	17,059,889
State of New Jersey	5,161,903	—	—	5,161,903
Professional services and contracts receivable, less allowance of \$2,858,128	5,776,953	—	—	5,776,953
Due from Rowan component unit	2,638,618	—	123,670	2,762,288
Interest and other	3,257,089	261,922	—	3,519,011
Total receivables	41,598,096	575,643	123,670	42,297,409
Restricted deposits held by trustees (note 3)	27,758,575	—	—	27,758,575
Investments, at fair value (note 2)	82,118,732	—	—	82,118,732
Other current assets	5,582,807	—	1,933	5,584,740
Total current assets	229,813,536	10,872,469	1,527,710	242,213,715
Noncurrent assets:				
Restricted deposits held by trustees (note 3)	43,067,331	—	—	43,067,331
Investments, at fair value (notes 2 and 13)	91,723,576	42,814,640	—	134,538,216
Restricted investments, at fair value (note 13)	—	25,014,614	—	25,014,614
Restricted nonexpendable investments, at fair value (note 13)	—	159,381,507	—	159,381,507
Loans receivable	2,885,889	—	—	2,885,889
Other non current assets	800,000	—	—	800,000
State of New Jersey receivable	3,312,844	—	—	3,312,844
Contributions receivable, less allowance of \$6,095	—	115,806	—	115,806
Due from Rowan component unit	727,121	—	—	727,121
Restricted contributions receivable, less allowance of \$134,320	—	2,552,075	—	2,552,075
Capital assets, net (notes 4 and 12)	925,455,104	—	10,327,483	935,782,587
Total noncurrent assets	1,067,971,865	229,878,642	10,327,483	1,308,177,990
Total assets	1,297,785,401	240,751,111	11,855,193	1,550,391,705
Deferred Outflows of Resources				
Deferred outflows of resources:				
Pensions related (note 6)	42,933,034	—	—	42,933,034
Loss on bond refinancing	17,511,944	—	—	17,511,944
Total deferred outflows of resources	60,444,978	—	—	60,444,978
Liabilities				
Current liabilities (note 10):				
Accounts payable and accrued expenses (note 7)	69,111,818	76,165	35,387	69,223,370
Due to University/ component units	123,670	2,319,596	319,022	2,762,288
Unearned revenue	37,804,481	15,000	—	37,819,481
Annuities payable – current portion	—	29,230	—	29,230
Long-term debt – current portion (note 8)	21,411,402	—	219,292	21,630,694
Derivative instruments – swap liability (note 9)	10,347,465	—	—	10,347,465
Total current liabilities	138,798,836	2,439,991	573,701	141,812,528
Noncurrent liabilities (note 10):				
Compensated absences – noncurrent portion (note 12)	2,955,117	—	—	2,955,117
Due to University/ component units	—	—	727,121	727,121
Unearned revenue	2,450,572	—	—	2,450,572
Other liabilities	4,693,895	—	—	4,693,895
Repurchase liability	3,220,000	—	—	3,220,000
Deposits held in custody for others	2,937,252	—	—	2,937,252
Annuities payable – noncurrent portion	—	213,869	—	213,869
Net pension liabilities (note 6)	288,130,773	—	—	288,130,773
Long-term debt – noncurrent portion (note 8)	632,570,600	—	4,122,196	636,692,796
Total noncurrent liabilities	936,958,209	213,869	4,849,317	942,021,395
Total liabilities	1,075,757,045	2,653,860	5,423,018	1,083,833,923
Deferred Inflows of Resources				
Deferred inflows of resources:				
Pensions related (note 6)	63,379,184	—	—	63,379,184
Gain on bond refinancing	120,032	—	—	120,032
Developer contribution	5,976,667	—	—	5,976,667
Service concession arrangement (note 12)	125,648,490	—	—	125,648,490
Split interest agreements	—	92,933	—	92,933
Total deferred inflows of resources	195,124,373	92,933	—	195,217,306
Net Position				
Net investment in capital assets	210,059,716	—	4,963,992	215,023,708
Restricted:				
Nonexpendable (note 13)	—	159,381,507	—	159,381,507
Expendable:				
Debt service and reserve	18,958,447	—	—	18,958,447
Other scholarships	—	11,348,161	—	11,348,161
Other	3,964,621	20,246,938	—	24,211,559
Unrestricted	(145,633,823)	47,027,712	1,468,183	(97,137,928)
Total net position	\$ 87,348,961	238,004,318	6,432,175	331,785,454

See accompanying notes to basic financial statements.

ROWAN UNIVERSITY
(A Component Unit of the State of New Jersey)
Statement of Revenues, Expenses, and Changes in Net Position
Year ended June 30, 2021

	Rowan University	Rowan University Foundation	South Jersey Technology Park at Rowan University, Inc.	Total
Operating revenues:				
Net student revenues:				
Tuition and fees	\$ 286,622,689	—	—	286,622,689
Auxiliary enterprises	32,414,286	—	—	32,414,286
Less scholarship allowances	(58,975,210)	—	—	(58,975,210)
Net student revenues	260,061,765	—	—	260,061,765
Grants	94,613,978	—	—	94,613,978
Self-funded programs	4,530,224	—	—	4,530,224
Fundraising events	—	136,341	—	136,341
Contributions	—	6,292,831	—	6,292,831
Professional services and contracts, net (note 11)	57,417,564	—	—	57,417,564
Rental income (note 14)	—	—	1,203,830	1,203,830
Other operating revenues	3,292,007	72,781	—	3,364,788
Other auxiliary	989,900	—	—	989,900
Total operating revenues	420,905,438	6,501,953	1,203,830	428,611,221
Operating expenses:				
Instruction	183,554,659	—	—	183,554,659
Research	26,854,923	—	—	26,854,923
Public service	17,240,095	—	—	17,240,095
Academic support	49,465,255	—	—	49,465,255
Student services	34,148,816	—	—	34,148,816
Institutional support	80,678,765	205,186	687,932	81,571,883
Operation and maintenance of plant	37,723,149	—	—	37,723,149
Student aid	33,219,903	—	—	33,219,903
Professional services and contracts	54,068,292	—	—	54,068,292
Auxiliary enterprises	43,146,490	—	—	43,146,490
Other Postemployment Benefits (OPEB) (note 6)	9,961,545	—	—	9,961,545
Depreciation and amortization	53,425,768	—	451,171	53,876,939
Total operating expenses	623,487,660	205,186	1,139,103	624,831,949
Operating (loss) income	(202,582,222)	6,296,767	64,727	(196,220,728)
Nonoperating revenues (expenses):				
State of New Jersey appropriations	39,334,000	—	—	39,334,000
State of New Jersey appropriations – CMSRU	17,220,019	—	—	17,220,019
State of New Jersey appropriations – Rowan SOM	29,140,343	—	—	29,140,343
State of New Jersey appropriations – OPEB (note 6)	9,961,545	—	—	9,961,545
State of New Jersey fringe benefits (note 5)	96,234,230	—	—	96,234,230
Student scholarships	—	(2,795,990)	—	(2,795,990)
Gifts from Rowan University Foundation (note 13)	11,808,167	(11,808,167)	—	—
Other grants	—	(5,046)	—	(5,046)
Investment income, net	7,484,536	84,236,864	4,544	91,725,944
Interest on capital asset related debt	(36,281,582)	—	(133,701)	(36,415,283)
Other nonoperating revenues, net	54,597,891	—	3,695	54,601,586
Net nonoperating revenues (expenses)	229,499,149	69,627,661	(125,462)	299,001,348
Income (loss) before other revenues	26,916,927	75,924,428	(60,735)	102,780,620
Capital grants and gifts	890,058	—	—	890,058
Additions to permanent endowments	—	24,837,527	—	24,837,527
Increase (decrease) in net position	27,806,985	100,761,955	(60,735)	128,508,205
Net position as of beginning of year	87,348,961	238,004,318	6,432,175	331,785,454
Net position as of end of year	\$ 115,155,946	338,766,273	6,371,440	460,293,659

See accompanying notes to basic financial statements.

ROWAN UNIVERSITY
(A Component Unit of the State of New Jersey)
Statement of Revenues, Expenses, and Changes in Net Position
Year ended June 30, 2020

	Rowan University	Rowan University Foundation	South Jersey Technology Park at Rowan University, Inc.	Total
Operating revenues:				
Net student revenues:				
Tuition and fees	\$ 294,254,230	—	—	294,254,230
Auxiliary enterprises	44,434,000	—	—	44,434,000
Less scholarship allowances	(61,244,420)	—	—	(61,244,420)
Net student revenues	277,443,810	—	—	277,443,810
Grants	89,638,170	—	—	89,638,170
Self-funded programs	5,935,079	—	—	5,935,079
Fundraising events	—	84,694	—	84,694
Contributions	—	8,000,375	—	8,000,375
Professional services and contracts, net (note 11)	53,448,301	—	—	53,448,301
Rental income (note 14)	—	—	1,186,384	1,186,384
Other operating revenues	4,235,220	94,895	—	4,330,115
Other auxiliary	874,488	—	—	874,488
Total operating revenues	431,575,068	8,179,964	1,186,384	440,941,416
Operating expenses:				
Instruction	175,565,161	—	—	175,565,161
Research	23,255,460	—	—	23,255,460
Public service	14,279,553	—	—	14,279,553
Academic support	48,448,853	—	—	48,448,853
Student services	33,620,093	—	—	33,620,093
Institutional support	84,515,068	345,098	598,539	85,458,705
Operation and maintenance of plant	36,306,641	—	—	36,306,641
Student aid	21,653,905	—	—	21,653,905
Professional services and contracts	51,494,321	—	—	51,494,321
Auxiliary enterprises	37,732,673	—	—	37,732,673
Other Postemployment Benefits (OPEB) (note 6)	2,282,301	—	—	2,282,301
Depreciation and amortization	42,586,959	—	442,008	43,028,967
Total operating expenses	571,740,988	345,098	1,040,547	573,126,633
Operating (loss) income	(140,165,920)	7,834,866	145,837	(132,185,217)
Nonoperating revenues (expenses):				
State of New Jersey appropriations	26,795,832	—	—	26,795,832
State of New Jersey appropriations – CMSRU	12,464,019	—	—	12,464,019
State of New Jersey appropriations – Rowan SOM	23,663,304	—	—	23,663,304
State of New Jersey appropriations – OPEB (note 6)	2,282,301	—	—	2,282,301
State of New Jersey fringe benefits (note 5)	80,520,345	—	—	80,520,345
Student scholarships	—	(3,062,212)	—	(3,062,212)
Gifts from Rowan University Foundation (note 13)	10,547,769	(10,547,769)	—	—
Other grants	—	(13,594)	—	(13,594)
Investment (loss) income, net	(1,549,129)	(1,510,149)	12,391	(3,046,887)
Interest on capital asset related debt	(43,366,948)	—	(155,721)	(43,522,669)
Other nonoperating revenues, net	12,416,724	—	30,000	12,446,724
Net nonoperating revenues (expenses)	123,774,217	(15,133,724)	(113,330)	108,527,163
(Loss) income before other revenues	(16,391,703)	(7,298,858)	32,507	(23,658,054)
Capital grants and gifts	3,308,254	—	—	3,308,254
Additions to permanent endowments	—	8,208,196	—	8,208,196
(Decrease) increase in net position	(13,083,449)	909,338	32,507	(12,141,604)
Net position as of beginning of year	100,432,410	237,094,980	6,399,668	343,927,058
Net position as of end of year	\$ 87,348,961	238,004,318	6,432,175	331,785,454

See accompanying notes to basic 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, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Student revenues	\$ 249,645,418	286,291,859
Government and private grants	90,831,460	87,599,495
Professional services and contract	52,778,237	51,271,219
Payments to suppliers	(156,089,953)	(128,729,585)
Payments for employee salaries and benefits	(289,157,138)	(295,977,198)
Self-funded programs and other receipts	4,530,224	5,935,079
Net cash (used by) provided by operating activities	(47,461,752)	6,390,869
Cash flows from noncapital financing activities:		
State of New Jersey appropriations	85,694,362	62,923,155
Gifts	11,808,167	10,547,769
Receipts for other noncapital assets	1,173,604	6,154,457
Receipts for other nonoperating revenues	41,649,975	8,474,778
Net cash provided by noncapital financing activities	140,326,108	88,100,159
Cash flows from capital and related financing activities:		
Proceeds from bond issuance	193,561,418	—
Drawdown of restricted deposits held by trustees	(59,352,412)	28,049,634
Capital grants	786,882	3,478,231
Costs of issuance	(2,247,394)	—
Purchases of capital assets	(53,330,992)	(51,619,737)
Principal paid on capital debt	(101,416,402)	(19,219,978)
Interest paid on capital debt	(37,130,905)	(36,807,800)
Net cash used by capital and related financing activities	(59,129,805)	(76,119,650)
Cash flows from investing activities:		
Purchase of investments	(210,566,211)	(436,959,887)
Sale of investments	200,663,067	434,421,016
Interest on investments	3,628,411	5,822,303
Net cash (used by) provided by investing activities	(6,274,733)	3,283,432
Net increase in cash and cash equivalents	27,459,818	21,654,810
Cash and cash equivalents as of beginning of the year	72,755,326	51,100,516
Cash and cash equivalents as of end of the year	\$ 100,215,144	72,755,326
Reconciliation of operating loss to net cash (used by) provided by operating activities:		
Operating loss	\$ (202,582,222)	(140,165,920)
Adjustments to reconcile operating loss to net cash (used by) provided by operating activities:		
State paid fringe benefits	96,234,230	80,520,345
State paid postemployment benefits	9,961,545	2,282,301
Depreciation and amortization expense	53,425,768	42,586,959
Changes in assets and liabilities:		
Receivables	(5,358,235)	(6,950,504)
Other current assets	(333,533)	(2,707,315)
Accounts payable and accrued expenses	13,145,655	13,946,921
Unearned revenue	(9,617,996)	9,072,024
Student deposits	—	(812,400)
Other liabilities	2,318,127	2,977,361
Deposits held in custody for others	968,241	800,882
Compensated absences – noncurrent portion	(39,455)	180,832
Net pension liability, net of deferred amounts	(5,583,877)	4,659,383
Net cash (used by) provided by operating activities	\$ (47,461,752)	6,390,869
Noncash transaction:		
Unrealized gain (loss) on investments	\$ 4,405,885	(7,285,248)
Decrease in deferred inflows of resources	(4,489,456)	(8,681,564)
State of New Jersey paid fringe benefits	96,234,230	80,520,345
State of New Jersey paid other postemployment benefits	9,961,545	2,282,301
Deferred capital lease interest	232,545	—

See accompanying notes to basic financial statements.

(1) Organization and Summary of Significant Accounting Policies

(a) Organization

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

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

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

(b) Summary of Significant Accounting Policies

(i) Basis of Presentation

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

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

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

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

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

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

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

(ii) *Measurement Focus and Basis of Accounting*

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

(iii) *Cash and Cash Equivalents*

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

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

(iv) *Investments*

Investments are reflected at fair value. 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.

(v) *Capital Assets*

Capital assets include land, land improvements, buildings, and equipment. Such assets are recorded at historical cost. Bulk equipment with a unit cost under \$5,000, land improvements, and building improvements costing over \$50,000, as well as equipment with a unit cost over \$5,000 are capitalized. Donated capital assets, including artwork, are recorded at the acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add value to the asset are not capitalized. Major outlays for capital assets are capitalized as projects are constructed. Artwork is considered inexhaustible and is not depreciated. Capital assets are depreciated using the straight-line method over the following useful lives:

Capital Asset	Useful lives
Land improvements	20 years
Buildings	20–40 years
Equipment	2–20 years

(vi) *Deposits Held in Custody for Others*

The University holds cash and cash equivalents as custodian for the Student Government Association and the New Jersey President's Council.

(vii) *Net Pension Liability and Related Pension Amounts*

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System (PERS), the Police and Firemen's Retirement System (PFRS) and the Teachers' Pension and Annuity Fund (TPAF), which is a special funding situation, and additions to/deductions from PERS's, PFRS's, and TPAF's fiduciary net position have been determined on the same basis as they are reported by PERS, PFRS and TPAF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. For

additional information about PERS, PFRS and TPAF, please refer to the State of New Jersey, Division of Pensions and Benefits' Comprehensive Annual Financial Report (CAFR), which can be found at: www.state.nj.us/treasury/pensions/annual-reports.shtml.

(viii) *Financial Dependency*

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

(ix) *Student Tuition and Fees*

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

(x) *Professional Services and Contract Revenues*

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

(xi) *Grants and Contracts*

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

(xii) *Classification of Revenue*

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

(xiii) *New Accounting Standard Adopted*

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. This statement enhances the comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues identified during implementation of certain GASB statements. The requirements of this standard are effective for fiscal years beginning after June 15, 2020 (fiscal year 2021). The University has reviewed this pronouncement and determined that the elements adopted for fiscal year 2021 are inapplicable. The University is evaluating the impact of the fiscal year 2022 applicable elements.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This Statement improves the guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019 (fiscal year 2021) per the issuance of GASB Statement No. 95. The University has reviewed this pronouncement and determined that there is no material impact.

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. This statement improves the consistency of financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans, while mitigating the costs associated with reporting those plans. The University has reviewed this pronouncement and determined that the elements adopted for fiscal year 2021 are inapplicable. The requirements of this standard that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021 (fiscal year 2022). The University is assessing the impact of this new standard.

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

In June 2017, the GASB issued Statement No. 87, *Leases* (GASB 87). This statement improves accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. GASB 87 will be effective for periods beginning after June 15, 2021 (fiscal year 2022) per the issuance of GASB Statement No. 95. The University is evaluating the impact of this new standard.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement requires that interest cost incurred before the end of a construction period be recognized as expense in the period in which the cost is incurred. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020 (fiscal year 2022) per the issuance of GASB Statement No. 95. As a result of this Standard, the University will no longer capitalize interest cost related to debt-financed construction projects beginning in fiscal year 2022.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The statement improves the information needs of financial statement users by improving the comparability of financial statements among governments that enter into public-private or public-public partnerships and availability payment arrangements by enhancing the understandability, reliability, relevance, and consistency of information. The requirements of this standard are effective for fiscal years beginning after June 15, 2022 (fiscal year 2023). The University is evaluating the impact of this new standard.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement improves the financial reporting by establishing a definition for subscription-based information technology arrangements (SBITAs) and providing uniform guidance for accounting and financial reporting for transactions meeting that definition. It defines SBITAs as a contract that conveys control of the right to use another party's IT software, alone or in combination

with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction. Under this statement a government entity is required to establish a right-of-use subscription asset and a corresponding subscription liability. The requirements of this standard are effective for fiscal years beginning after June 15, 2022 (fiscal year 2023). The University is evaluating the impact of this new standard.

(xv) *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.

(xvi) *Tax Status*

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

(2) Cash, Cash Equivalents, and Investments

(a) Cash and Cash Equivalents

Cash and cash equivalents consist of the following as of June 30, 2021 and 2020:

Cash and Cash Equivalents		
	2021	2020
Cash	\$ 76,651,895	62,288,601
State of New Jersey Cash Management Fund	650,589	650,195
Money market accounts	22,912,660	9,816,530
Total cash and cash equivalents	<u>\$ 100,215,144</u>	<u>72,755,326</u>

Cash and cash equivalents held at a depository and bank balances amounted to \$77,562,776 and \$73,640,394, respectively, as of June 30, 2021 and 2020. Of these amounts, \$250,000 was FDIC insured, and \$76,314,300 and \$72,740,199 were collateralized pursuant to Chapter 64 of Title 18A of New Jersey Statutes as of June 30, 2021 and 2020, respectively.

The University participates in NJCMF wherein amounts also contributed by other State entities are combined in a large-scale investment program. The University's deposits in the NJCMF were \$650,589 and \$650,195 as of June 30, 2021 and 2020, respectively. These amounts are collateralized in accordance with New Jersey Statute 52:18-16-1, but not in the University's name.

The operations of the NJCMF are governed by statutes of the State and the provisions of the State Investment Council Regulations for the purpose of determining authorized investments. The fair value of the NJCMF is based on the number of shares held by the University and the market price of those shares as of June 30, 2021 and 2020. The NJCMF is unrated with an average portfolio maturity of less than one year.

Money market funds are not subject to custodial risk, however, they are subject to credit risk. The balances in the University's money market accounts are unrated.

(b) Investments

The University's investments consist of the following as of June 30, 2021 and 2020:

Investments		
	2021	2020
U.S. government treasury securities	\$ 17,708,985	11,080,501
U.S. government agency securities	1,240,800	2,367,339
U.S. corporate bonds	63,612,639	81,437,615
International bonds	3,249,887	1,606,453
Foreign corporate bonds	27,079,987	14,629,665
Commercial paper	9,168,990	7,744,454
Asset-backed securities	22,897,034	21,963,691
Commercial mortgage-backed securities	4,978,507	6,035,662
Municipal bonds	4,926,755	3,875,484
Collateralized mortgage obligations	11,899,818	7,459,727
Mutual funds – equity	21,015,731	15,454,398
Common stock – equity	266,372	187,319
Total investments	\$ 188,045,505	173,842,308

The University has an investment policy, which establishes guidelines for permissible investments. Short-term investment options include, but are not limited to, the funds, municipal obligations, etc. that are deemed appropriate and within the risk parameters as determined by the University Board of Trustees and the University Executive Staff.

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

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

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The credit risk of a debt instrument is measured by nationally recognized statistical rating agencies such as Moody's Investors Service, Inc. (Moody's) and Standard and Poor's (S&P). The University's investment policy requires that fixed income securities are rated Baa3/BBB – or higher by at least one rating agency. At June 30, 2021 and 2020, the University does not have investments in a single issuer of more than 5% of its total investments and therefore does not have a concentration of credit risk.

The following tables summarize the agency ratings of the fixed income securities included in the University's investments as of June 30, 2021 and 2020:

	2021										
	S&P Rated				Moody's Rated				Fitch Rated		
	AAA	AA	A	BBB	Aaa	Aa	A	Baa	AAA	AA	Total
U.S. government treasury securities	\$ —	12,462,262	—	—	1,452,283	—	—	—	3,794,440	—	17,708,985
U.S. government agency securities	—	1,240,800	—	—	—	—	—	—	—	—	1,240,800
U.S. corporate bonds	2,024,010	7,053,775	19,184,765	35,230,089	—	120,000	—	—	—	—	63,612,639
International bonds	2,649,827	—	—	—	600,060	—	—	—	—	—	3,249,887
Foreign corporate bonds	—	1,391,042	20,602,035	2,906,509	882,698	—	1,297,703	—	—	—	27,079,987
Commercial paper	—	—	—	7,869,185	—	—	649,896	649,909	—	—	9,168,990
Asset-backed securities	11,324,438	1,634,092	1,124,001	—	6,643,393	176,332	—	—	904,126	1,090,652	22,897,034
Commercial mortgage-backed securities	619,382	—	—	—	3,498,832	621,501	—	—	238,792	—	4,978,507
Municipal bonds	638,898	2,272,641	1,103,910	—	114,836	796,470	—	—	—	—	4,926,755
Collateralized mortgage obligations	532,103	7,616,699	—	—	1,449,822	1,442,636	—	—	583,277	275,281	11,899,818
Total	\$ 17,788,658	33,671,311	42,014,711	46,005,783	14,641,924	3,156,939	1,947,599	649,909	5,520,635	1,365,933	166,763,402

	2020									
	S&P Rated					Moody's Rated		Fitch Rated		Total
	AAA	AA	A	BBB	BB	Aaa	Aa	AAA		
U.S. government treasury securities	\$ —	7,249,277	—	—	—	3,831,224	—	—	11,080,501	
U.S. government agency securities	—	2,367,339	—	—	—	—	—	—	2,367,339	
U.S. corporate bonds	2,062,570	11,824,191	39,594,000	26,989,337	967,517	—	—	—	81,437,615	
International bonds	1,190,901	—	—	—	—	415,552	—	—	1,606,453	
Foreign corporate bonds	206,546	4,686,481	7,941,523	—	—	1,795,115	—	—	14,629,665	
Commercial paper	—	—	7,744,454	—	—	—	—	—	7,744,454	
Asset-backed securities	15,325,218	1,492,755	—	—	—	4,927,636	218,082	—	21,963,691	
Commercial mortgage-backed securities	1,125,330	107,005	—	—	—	3,869,940	450,872	482,515	6,035,662	
Municipal bonds	407,072	1,097,983	1,383,755	—	—	—	986,674	—	3,875,484	
Collateralized mortgage obligations	141,783	7,207,404	—	—	—	110,540	—	—	7,459,727	
Total	\$ 20,459,420	36,032,435	56,663,732	26,989,337	967,517	14,950,007	1,655,628	482,515	158,200,591	

At June 30, 2020 the University held a single U.S. Corporate bond issue, rated BB by S&P, below the investment policy rating threshold at June 30, 2020. The bond issue was downgraded on March 27, 2020 and in accordance with the University investment policy the bond was held for a determined price point. The bond issue was fully divested on July 6, 2020 and July 16, 2020 in the face amounts of \$130,000 and \$860,000, respectively.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of a debt investment. The University's investment policy does not specifically address limitations in the maturities of investments. For the University, the following tables summarize the maturities of the fixed income security investments as of June 30, 2021 and 2020:

Investment type	Fair value	2021 Investment maturities (in years)			
		Less than 1	1–5	6–10	More than 10
U.S. government treasury securities	\$ 17,708,985	9,405,718	8,303,267	—	—
U.S. government agency securities	1,240,800	1,005,660	20,036	—	215,104
U.S. corporate bonds	63,612,639	26,516,475	37,096,164	—	—
International bonds	3,249,887	1,977,741	1,272,146	—	—
Foreign corporate bonds	27,079,987	13,379,387	13,700,600	—	—
Commercial paper	9,168,990	9,168,990	—	—	—
Asset-backed securities	22,897,034	229,812	13,095,423	4,815,852	4,755,947
Commercial mortgage-backed securities	4,978,507	50,189	—	—	4,928,318
Municipal bonds	4,926,755	2,368,525	2,558,230	—	—
Collateralized mortgage obligations	11,899,818	91,985	4,534,541	1,276,371	5,996,921
Total	\$ 166,763,402	64,194,482	80,580,407	6,092,223	15,896,290

Investment type	Fair value	2020 Investment maturities (in years)			
		Less than 1	1–5	6–10	More than 10
U.S. government treasury securities	\$ 11,080,501	3,642,074	7,438,427	—	—
U.S. government agency securities	2,367,339	—	1,032,700	31,049	1,303,590
U.S. corporate bonds	81,437,615	42,622,924	38,814,691	—	—
International bonds	1,606,453	—	1,606,453	—	—
Foreign corporate bonds	14,629,665	9,540,679	5,088,986	—	—
Commercial paper	7,744,454	7,744,454	—	—	—
Asset-backed securities	21,963,691	50,734	14,873,625	4,396,080	2,643,252
Commercial mortgage-backed securities	6,035,662	47,249	—	207,253	5,781,160
Municipal bonds	3,875,484	2,281,268	1,124,216	—	470,000
Collateralized mortgage obligations	7,459,727	547,634	2,646,209	1,554,423	2,711,461
Total	\$ 158,200,591	66,477,016	72,625,307	6,188,805	12,909,463

(c) Fair Value Measurement

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the financial statement measurement date. The

fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels as follows:

- Level 1 – quoted or published prices for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 – quoted or published prices other than those included within Level 1 and other inputs that are observable for an asset or liability, either directly or indirectly.
- Level 3 – pricing inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity or the investment.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3. When the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level that is significant to the entire measurement.

The categorization of a financial instrument within the hierarchy is based upon pricing transparency and is not necessarily an indication of the University's perceived risk of that instrument.

The following is a description of the valuation methodologies used for instruments measured at fair value:

- U. S. government treasury securities and agency securities – The fair value of government securities and agencies are based on institutional bond quotes and evaluations based on various market and industry inputs.
- U. S., international, and foreign corporate bonds – The fair value of corporate bonds are based on institutional bond quotes and evaluations based on various market and industry inputs.
- Common stocks and mutual funds – equity – The fair value of mutual funds are based on quoted or published market prices, when available, or market prices provided by recognized broker-dealers.
- Asset backed securities, commercial paper, commercial mortgage-backed securities and collateralized mortgage obligations – The fair value of asset backed securities, mortgages, commercial mortgage-backed securities, and collateralized mortgage obligations are based on various market and industry inputs and quotes from market makers and other brokers recognized to be market participants.
- Municipal bonds – The fair value of municipal bonds are based on various market and industry inputs.

The University's financial instruments as of June 30, 2021 are summarized in the following table by their fair value hierarchy:

2021				
Investments Measured at Fair Value				
	Total	Level 1	Level 2	Level 3
Investment:				
U. S. government treasury securities	\$ 17,708,985	17,708,985	—	—
U. S. government agency securities	1,240,800	—	1,240,800	—
U. S. corporate bonds	63,612,639	—	63,612,639	—
International bonds	3,249,887	—	3,249,887	—
Foreign corporate bonds	27,079,987	—	27,079,987	—
Commercial paper	9,168,990	—	9,168,990	—
Asset-backed securities	22,897,034	—	22,897,034	—
Commercial mortgage-backed securities	4,978,507	—	4,978,507	—
Municipal bonds	4,926,755	—	4,926,755	—
Collateralized mortgage obligations	11,899,818	—	11,899,818	—
Mutual funds – equity	21,015,731	21,015,731	—	—
Common stock – equity	266,372	266,372	—	—
Total investments	\$ 188,045,505	38,991,088	149,054,417	—

The University's financial instruments as of June 30, 2020 are summarized in the following table by their fair value hierarchy:

2020				
Investments Measured at Fair Value				
	Total	Level 1	Level 2	Level 3
Investment:				
U. S. government treasury securities	\$ 11,080,501	11,080,501	—	—
U. S. government agency securities	2,367,339	—	2,367,339	—
U. S. corporate bonds	81,437,615	—	81,437,615	—
International bonds	1,606,453	—	1,606,453	—
Foreign corporate bonds	14,629,665	—	14,629,665	—
Commercial paper	7,744,454	—	7,744,454	—
Asset-backed securities	21,963,691	—	21,963,691	—
Commercial mortgage-backed securities	6,035,662	—	6,035,662	—
Municipal bonds	3,875,484	—	3,875,484	—
Collateralized mortgage obligations	7,459,727	—	7,459,727	—
Mutual funds – equity	15,454,398	15,454,398	—	—
Common stock – equity	187,319	187,319	—	—
Total investments	\$ 173,842,308	26,722,218	147,120,090	—

(3) Restricted Deposits Held by Trustees

Restricted deposits held by trustees include restricted funds held by three Board approved trustees. Deposits held by trustees consist of cash and money market investments, which are measured at amortized cost. The money market investments were unrated. Restricted deposits held by trustees include funds for construction, debt service reserve, and debt service and consist of the following as of June 30, 2021 and 2020:

Restricted Deposits Held by Trustees		
	2021	2020
Construction funds	\$ 95,981,669	43,067,331
Debt service and debt service reserve funds	34,196,649	27,758,575
	130,178,318	70,825,906
Less current portion	26,913,153	27,758,575
Noncurrent restricted deposits held by trustees	\$ 103,265,165	43,067,331

(4) Capital Assets

The detail of capital assets activity for the years ended June 30, 2021 and 2020 is as follows:

Capital Assets				
2021	Beginning balance	Additions/ Transfers	Deletions/ transfers	Ending balance
Nondepreciable assets:				
Land	\$ 50,921,926	—	(418,058)	50,503,868
Artwork	2,723,761	52,000	—	2,775,761
Construction in progress	42,855,719	39,575,144	(9,691,017)	72,739,846
Total nondepreciable assets	96,501,406	39,627,144	(10,109,075)	126,019,475
Depreciable assets:				
Land improvements	61,789,466	2,691,645	—	64,481,111
Buildings	1,237,804,751	26,899,373	(1,026,110)	1,263,678,014
Equipment	85,930,959	14,351,571	(1,037,389)	99,245,141
Total depreciable assets	1,385,525,176	43,942,589	(2,063,499)	1,427,404,266
Less accumulated depreciation:				
Land improvements	32,649,077	3,168,949	—	35,818,026
Buildings	470,891,937	41,459,465	(856,635)	511,494,767
Equipment	53,030,464	11,543,840	(993,548)	63,580,756
Total accumulated depreciation	556,571,478	56,172,254	(1,850,183)	610,893,549
Total capital assets, net	\$ 925,455,104	27,397,479	(10,322,391)	942,530,192

2020	Capital Assets			
	Beginning balance	Additions/ Transfers	Deletions/ transfers	Ending balance
Nondepreciable assets:				
Land	\$ 50,921,926	—	—	50,921,926
Artwork	2,719,490	4,271	—	2,723,761
Construction in progress	22,119,245	42,628,333	(21,891,859)	42,855,719
Total nondepreciable assets	75,760,661	42,632,604	(21,891,859)	96,501,406
Depreciable assets:				
Land improvements	61,113,922	675,544	—	61,789,466
Buildings	1,216,672,550	21,132,201	—	1,237,804,751
Equipment	77,222,545	9,624,349	(915,935)	85,930,959
Total depreciable assets	1,355,009,017	31,432,094	(915,935)	1,385,525,176
Less accumulated depreciation:				
Land improvements	29,500,097	3,148,980	—	32,649,077
Buildings	439,042,481	31,849,456	—	470,891,937
Equipment	44,799,857	9,094,008	(863,401)	53,030,464
Total accumulated depreciation	513,342,435	44,092,444	(863,401)	556,571,478
Total capital assets, net	\$ 917,427,243	29,972,254	(21,944,393)	925,455,104

Depreciation expense for the year ending June 30, 2021 and 2020 is \$56,172,254 and \$44,092,444, respectively. The increase in depreciation is primarily due to the adjustment of the useful life of one building from 20 to 40 years, resulting in a credit to depreciation in fiscal year 2020. The estimated cost to complete capital projects included in construction in progress as of June 30, 2021 approximates \$129,436,000. Anticipated financing for these projects is approximately \$176,000 in grant funds, \$92,565,000 in bond funding and \$36,695,000 in University funds.

(5) State of New Jersey Fringe Benefits

The State, through separate appropriations, pays certain fringe benefits, principally health benefits and FICA taxes, on behalf of University employees and retirees. The costs of these benefits, \$96,234,230 and \$80,520,345, respectively, for fiscal years 2021 and 2020, were paid directly by the State on behalf of the University and are included in the accompanying financial statements as State of New Jersey fringe benefits revenue and as operating expenses.

(6) Retirement Plans

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

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

(a) Defined Benefit Pension Plans

General Information

(i) Public Employees' Retirement System

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

Benefits provided – All benefits vest after ten years of service.

The following represents the membership tiers for PERS:

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

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

Contributions – The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Members contribute at a uniform rate. The member contribution rate at June 30, 2021 and 2020 was 7.5% of pensionable wages. The State contributes the employer's share on behalf of the University. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. The University's contributions to PERS (amounts paid by the State on behalf of the University) for the fiscal year ended June 30, 2021 and 2020 was \$14,018,029 and \$10,282,861, respectively.

(ii) *Police and Firemen's Retirement System*

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

Benefits provided – All benefits vest after ten years of service, except disability benefits, which vest after four years of service.

The following represents the membership tiers for PFRS:

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

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

Contributions – The contribution policy is set by N.J.S.A. 43:16A and requires contributions by active members and contributing employers. The State contributes the employer's share on behalf of the University. The State's contribution amount is based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. The member contribution rate at June 30, 2021 and 2020 was 10% of pensionable wages. The University's contributions to PFRS (amounts paid by the State on behalf of the University) for the fiscal year ended June 30, 2021 and 2020 were \$1,925,985 and \$1,491,764, respectively.

(iii) *Teachers' Pension and Annuity Fund*

Plan description – TPAF was established under the provisions of N.J.S.A. 18A:66 to provide retirement, death and disability benefits to substantially all teachers or members of the professional staff certified by the State Board of Examiners and employees of the State of New Jersey, Department of Education, who have titles that are unclassified, professional, and certified. Certain faculty members of the University participate in the TPAF. Under the provisions of N.J.S.A. 18A:66-33, the State is legally obligated to make contributions on behalf of all participating employers to the plan, therefore TPAF meets the definition of a special funding situation as defined in GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*.

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

The following represents the membership tiers for TPAF:

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

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

Contributions – The contribution policy is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing employers. The full normal contribution rate at June 30, 2021 and 2020 was 7.5%. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability.

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

The University's respective net pension liability, deferred outflows of resources, deferred inflows of resources and pension expense related to PERS and PFRS are calculated by the Division. At June 30, 2021, the University reported a liability of \$252,952,884 and \$16,879,196 for PERS and PFRS, respectively, for its proportionate share of the respective PERS and PFRS net pension liabilities. At June 30, 2020, the University reported a liability of \$271,842,274 and \$16,288,499 for PERS and PFRS, respectively, for its proportionate share of the respective PERS and PFRS net pension liabilities. As the State is legally obligated to fund TPAF on behalf of the University, the University's proportionate share of net pension liability at June 30, 2021 and 2020 of \$1,313,388 and \$1,205,870, respectively, is recognized by the State. The total pension liabilities used to calculate the net pension liabilities, which were recorded in the statement of net position as of June 30, 2021, were determined by actuarial valuations as of July 1, 2019 and rolled forward to the measurement date of June 30, 2020. The total pension liabilities used to calculate the net pension liabilities, which were recorded in the statement of net position as of June 30, 2020, were determined by actuarial valuations as of July 1, 2018 and rolled forward to the measurement date of June 30, 2019. For PERS and PFRS, the University's proportionate share of the respective net pension liabilities for the fiscal years 2021 and 2020 were based on the actual contributions made by the State on behalf of the University relative to the total contributions of participating employers of the State Group for each plan for fiscal years 2020 and 2019, respectively. For TPAF, the University's proportionate share of the respective net pension liability for the fiscal year was based on the actual contributions made by the State on behalf of the University relative to the total

contributions made by the State for fiscal year 2020 and 2019. The University's allocation percentages and pension expense for each plan are as follows:

2020 Summary of Pension Amounts			
	PERS	PFRS	TPAF
2020 Allocation percentage – State Group/Nonemployer Group ¹	1.138 %	0.393 %	0.002 %
2020 Allocation percentage – Total Plan ²	0.654 %	0.088 %	0.002 %
Pension expense for the measurement date June 30, 2020	\$ 10,074,187	920,020	81,672

2019 Summary of Pension Amounts			
	PERS	PFRS	TPAF
2019 Allocation percentage – State Group/Nonemployer Group ¹	1.181 %	0.388 %	0.002 %
2019 Allocation percentage – Total Plan ²	0.661 %	0.089 %	0.002 %
Pension expense for the measurement date June 30, 2019	\$ 16,047,959	1,098,320	71,125

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

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

As TPAF is a special funding situation, the University recognized revenue related to the support provided by the State as of June 30, 2021 and 2020 of \$81,672 and \$71,125, respectively, in the State of New Jersey fringe benefits amount on the statements of revenue, expenses and changes in net position.

The University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources as of June 30, 2021 and 2020:

2021			
Deferred Outflows and Inflows of Resources from Pensions			
	PERS	PFRS	Total
Deferred outflows of resources:			
Changes of assumptions	\$ 4,220,139	12,345	4,232,484
Changes in proportionate share	6,754,674	475,154	7,229,828
Differences between expected and actual experience	6,650,077	—	6,650,077
Net differences between projected and actual investment earnings on pension plan investments	2,870,582	409,021	3,279,603
Contributions subsequent to the measurement date	14,018,029	1,925,985	15,944,014
Total	\$ 34,513,501	2,822,505	37,336,006
Deferred inflows of resources:			
Changes in proportionate share	\$ 9,119,908	763,127	9,883,035
Differences between expected and actual experience	1,362,998	294,233	1,657,231
Changes of assumptions	56,952,756	2,003,950	58,956,706
Total	\$ 67,435,662	3,061,310	70,496,972

2020			
Deferred Outflows and Inflows of Resources from Pensions			
	PERS	PFRS	Total
Deferred outflows of resources:			
Changes of assumptions	\$ 15,093,708	215,704	15,309,412
Changes in proportionate share	12,037,127	534,140	12,571,267
Differences between expected and actual experience	2,807,747	—	2,807,747
Net differences between projected and actual investment earnings on pension plan investments	263,102	206,881	469,983
Contributions subsequent to the measurement date	10,282,861	1,491,764	11,774,625
Total	\$ 40,484,545	2,448,489	42,933,034
Deferred inflows of resources:			
Changes in proportionate share	\$ 3,199,438	1,051,743	4,251,181
Differences between expected and actual experience	1,946,438	383,294	2,329,732
Changes of assumptions	54,518,147	2,280,124	56,798,271
Total	\$ 59,664,023	3,715,161	63,379,184

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

At June 30, 2021, \$15,944,014 was reported as deferred outflows of resources related to pensions resulting from contributions made on behalf of the University by the State subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Future Net Deferred Outflows (Inflows) of Resources			
	PERS	PFRS	Total
Years ending:			
2022	\$ (14,651,293)	(693,230)	(15,344,523)
2023	(16,094,577)	(641,433)	(16,736,010)
2024	(9,775,707)	(469,466)	(10,245,173)
2025	(5,466,325)	(327,078)	(5,793,403)
2026	(952,288)	(33,583)	(985,871)
	<u>\$ (46,940,190)</u>	<u>(2,164,790)</u>	<u>(49,104,980)</u>

Actuarial Assumptions

The total pension liabilities related to PERS, PFRS, and TPAF measured as of June 30, 2020 and 2019 were based on actuarial valuations as of July 1, 2019 and 2018 using the following actuarial assumptions:

Actuarial Assumptions			
	PERS	PFRS	TPAF
Inflation rate:			
Price	2.75%	2.75%	2.75%
Wage	3.25%	3.25%	3.25%
Salary increases:			
Through 2026	2.00 – 6.00%	3.25 – 15.25%	1.55 – 4.45%
	based on years of service	based on years of service	based on years of service
Thereafter	3.00 – 7.00%	3.25 – 15.25%	2.75 – 5.65%
	based on years of service	based on years of service	based on years of service
Investment rate of return	7.00%	7.00%	7.00%

2020

For PERS, pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2020. The actuarial assumptions used

in the July 1, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018.

2019

For PERS, pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019. The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018.

2020

For PFRS, Pre-retirement mortality rates were based on the Pub-2010 Safety Employee mortality table with a 105.6% adjustment for males and 102.5% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 Safety Retiree Below-Median Income Weighted mortality table with a 96.7% adjustment for males and 96.0% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. For beneficiaries, the Pub-2010 General Retiree Below-Median Income Weighted mortality table was used, unadjusted, and with future improvement from the base year of 2010 on a generational basis. Disability rates were based on the Pub-2010 Safety Disabled Retiree mortality table with a 152.0% adjustment for males and 109.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2020. The actuarial assumptions used in the July 1, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2013 to June 30, 2018.

2019

For PFRS, Pre-retirement mortality rates were based on the Pub-2010 Safety Employee mortality table with a 105.6% adjustment for males and 102.5% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 Safety Retiree Below-Median Income Weighted mortality table with a 96.7% adjustment for males and 96.0% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. For beneficiaries (contingent annuitants), the Pub-2010 General Retiree Below-Median Income Weighted mortality table was used, unadjusted, and with future improvement from the base year of 2010 on a generational basis. Disability rates were based on the Pub-2010 Safety Disabled Retiree mortality table with a 152.0% adjustment for males and 109.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019. The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2013 to June 30, 2018.

2020

For TPAF, pre-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Employee mortality table with a 93.9% adjustment for males and 85.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Healthy Retiree mortality table with a 114.7% adjustment for males and 99.6% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability mortality rates were based on the Pub-2010

Non-Safety Disabled Retiree mortality table with a 106.3% adjustment for males and 100.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2020. The actuarial assumptions used in the July 1, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2015 to June 30, 2018.

2019

For TPAF, pre-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Employee mortality table with a 93.9% adjustment for males and 85.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Healthy Retiree mortality table with a 114.7% adjustment for males and 99.6% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability mortality rates were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 106.3% adjustment for males and 100.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019. The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2015 to June 30, 2018.

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% June 30, 2020 and 2019) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of the arithmetic real rates of return for each major asset class included in PERS's, PFRS's and TPAF's target asset allocations as of June 30, 2020 and 2019 are summarized in the following tables:

2020		
Target Asset Allocation and Long-Term Expected Rate of Return		
	PERS PFRS TPAF	
	Target allocation	Long-term expected real rate of return
Risk Mitigation Strategies	3.00 %	3.40 %
Cash Equivalents	4.00	0.50
U.S. Treasuries	5.00	1.94
Investment Grade Credit	8.00	2.67
High Yield	2.00	5.95
Private Credit	8.00	7.59
Real Assets	3.00	9.73
Real Estate	8.00	9.56
US Equity	27.00	7.71
Non-U.S. Developed Markets Equity	13.50	8.57
Emerging Markets Equity	5.50	10.23
Private Equity	13.00	11.42

2019 Target Asset Allocation and Long-Term Expected Rate of Return		
	PERS PFRS TPAF	
	Target allocation	Long-term expected real rate of return
Risk Mitigation Strategies	3.00 %	4.67 %
Cash Equivalents	5.00	2.00
U.S. Treasuries	5.00	2.68
Investment Grade Credit	10.00	4.25
High Yield	2.00	5.37
Private Credit	6.00	7.92
Real Assets	2.50	9.31
Real Estate	7.50	8.33
US Equity	28.00	8.26
Non-U.S. Developed Markets Equity	12.50	9.00
Emerging Markets Equity	6.50	11.37
Private Equity	12.00	10.85

Discount Rate

The discount rate used to measure the total pension liability was 7.00% for PERS and PFRS as of June 30, 2020.

The discount rate used to measure the total pension liability was 5.40% for TPAF as of June 30, 2020. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 2.21% as of June 30, 2020 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

The discount rates used to measure the total pension liabilities were 6.28%, 6.85% and 5.60% for PERS, PFRS, and TPAF, respectively, as of June 30, 2019. These single blended discount rates were based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.50% as of June 30, 2019, based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

In fiscal year 2021, for PERS and PFRS, the projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be based on 78% of the actuarially determined contributions for the State employer. Based on those assumptions, the plan's fiduciary net position as of June 30, 2020 was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

In fiscal year 2021, for TPAF, the projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be based on 78% of the actuarially determined contributions for the State. Based on those assumptions, the plan's fiduciary net position as of June 30, 2020 was projected to be available to make projected future benefit payments of current plan members through 2062. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2062 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

In fiscal year 2020, the projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on 70% of the actuarially determined contribution for the State. Based on those assumptions, the plan's fiduciary net position as of June 30, 2019 was projected to be available to make projected future benefit payments of current plan members through 2057 for PERS, 2076 for PFRS and 2054 for TPAF. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057 for PERS, 2076 for PFRS and 2054 for TPAF and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the net pension liability of the University as of the June 30, 2020, measurement date calculated using the discount rates as disclosed above as well as the net pension liability if it was calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

2020 Sensitivity of Net Pension Liability			
Plan (rates)	At 1% decrease	At current discount rate	At 1% increase
PERS(6.00%, 7.00%, 8.00%)	\$ 288,576,121	252,952,884	222,817,295
PFRS(6.00%, 7.00%, 8.00%)	19,627,035	16,879,196	14,597,395

The following presents the net pension liability of the University as of the June 30, 2019, measurement date calculated using the discount rates as disclosed above as well as the net pension liability if it was calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

2019 Sensitivity of Net Pension Liability			
Plan (rates)	At 1% decrease	At current discount rate	At 1% increase
PERS(5.28%, 6.28%, 7.28%)	\$ 312,753,704	271,842,274	237,463,893
PFRS(5.85%, 6.85%, 7.85%)	19,051,356	16,288,499	14,003,580

(b) Defined Contribution Retirement Plans

Alternative Benefit Program (ABP)

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

Benefits are determined by the amount of individual accumulations and the retirement income option selected. All benefits vest after the completion of one year of service. Individually owned annuity contracts that provide for full ownership of retirement and survivor benefits are purchased at the time of

vesting. Participating University employees contribute 5% of salary and may contribute a voluntary additional contribution up to the maximum Federal statutory limit, on a pre-tax basis.

Employer contributions are 8%. During the year ended June 30, 2021 and 2020, ABP investment carriers received employer and employee contributions as follows:

ABP Employer and Employee Contributions			
		2021	2020
Employer contributions	\$	13,144,179	12,890,374
Employee contributions		16,245,839	14,937,303
Basis for contributions:			
Participating employee salaries	\$	164,302,233	161,129,674

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

Effective July 1, 2010, Governor Christie signed Chapter 31, P.L. 2010 into law, which only allowed employer contributions to ABP for salaries up to \$141,000. Effective July 1, 2018, Chapter 14, P.L. 2018 increased the salary cap allowing for employer contributions to ABP for salaries up to \$175,000.

Defined Contribution Retirement Plan

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

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

Participating University employees contribute 5.5% of their eligible wages. Employer contributions are 3%. During the years ended June 30, 2021 and 2020, Prudential received employer and employee contributions as follows:

DCRP Employer and Employee Contributions			
		2021	2020
Employer contributions	\$	43,129	43,617
Employee contributions		79,069	79,964
Basis for contributions:			
Participating employee salaries	\$	1,437,616	1,453,868

(c) Post-Employment Benefits Other than Pensions

The University's retirees participate in the State Health Benefit State Retired Employees Plan (the Plan).

Plan description, including benefits provided - The Plan is a single-employer defined benefit other postemployment benefit (OPEB) plan, which provides medical, prescription drug, and Medicare Part B reimbursements to retirees and their covered dependents. Although the Plan is a single-employer plan, it is treated as a cost-sharing multiple employer plan for standalone reporting purposes. In accordance N.J.S.A. 52:14-17.32, the State of New Jersey (the State) is required to pay the premiums and periodic charges for OPEB of State employees who retire with 25 years or more of credited service, or on a disability pension, from one or more of the following pension plans: the Public Employees' Retirement System (PERS), the Alternate Benefit Program (ABP) or the Police and Firemen's Retirement System (PFRS). In addition, Chapter 302, P.L. 1996 provides that for purposes of this Plan, the University's employees retain any and all rights to the health benefits in the Plan, even though the University is considered autonomous from the State, therefore, its employees are classified as State employees. As such, the State is legally obligated for the benefit payments on behalf of the retirees of the University; therefore, the Plan meets the definition of a special funding situation as defined in GASB Statement No. 75, *Accounting and Financial Reporting for Other Postemployment Benefits Other Than Pensions* (GASB 75).

Retirees who are not eligible for employer-paid health coverage at retirement can continue in the program by paying the cost of the insurance for themselves and their covered dependents. Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage, who have less than 20 years of creditable service on June 28, 2011, will be required to pay a percentage of the cost of their healthcare coverage in retirement provided they retire with 25 years or more of pension service credit. The percentage of the premium for which the retiree will be responsible for will be determined based on the retiree's annual retirement benefit and level of coverage.

The Plan is administered on a pay-as-you-go-basis. Accordingly, no assets are accumulated in a qualifying trust that meets the definition of a trust as per GASB 75.

Total OPEB Liability and OPEB expense

As of June 30, 2021 and 2020, the State recorded a liability of \$568,312,787 and \$382,327,565, respectively, which represents the portion of the State's total proportionate share of the collective total OPEB liability that is associated with the University (the University's share). The University's share was based on the ratio of its members to the total members of the Plan. At June 30, 2021, the University's share was 7.11% and 2.01% of the special funding situation and of the Plan, respectively. At June 30, 2020, the University's share was 6.96% and 2.10% of the special funding situation and of the Plan, respectively.

For the year ended June 30, 2021 and 2020, the University recognized OPEB expense of \$9,961,545 and \$2,282,301, respectively. As the State is legally obligated for benefit payments on behalf of the University, the University recognized revenue related to the support provided by the State of \$9,961,545 and \$2,282,301 in 2021 and 2020, respectively.

Actuarial assumptions and other inputs – The State's liability associated with the University at June 30, 2021 was determined by an actuarial valuation as of June 30, 2019, which was rolled forward to the measurement date of June 30, 2020. The State's liability associated with the University at June 30, 2020

was determined by an actuarial valuation as of June 30, 2018, which was rolled forward to the measurement date of June 30, 2019. These valuations used the following assumptions:

OPEB Valuation Assumption		
	2021	2020
Inflation	2.50 %	2.50 %
Discount rate	2.21 %	3.50 %
Salary increases		
Through 2026	1.55 – 15.25%	1.55 – 15.25%
Thereafter	2.75 – 7.00%	1.55 – 7.00%

The discount rate is based on the Bond Buyer GO 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Salary increases depend on the pension plan a member is enrolled in. In addition, they are based on years of service and age in 2021 and 2020, respectively.

The June 30, 2019 valuation used preretirement mortality rates based on the Pub-2010 Healthy "Teachers" (TPAF/ABP), General (PERS), and "Safety" (PFRS) classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2020. Postretirement mortality rates were based on the Pub-2010 "General" classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2020. Disability mortality was based on Pub-2010 "Safety", "Teachers", and "General" classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2020.

The June 30, 2018 valuation used preretirement mortality rates based on the Pub-2010 Healthy "Teachers" (TPAF/ABP), General (PERS), and "Safety" (PFRS) classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019. Postretirement mortality rates were based on the Pub-2010 "General" classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019. Disability mortality was based on Pub-2010 "Safety", "Teachers", and "General" classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019.

Health Care Trend Assumptions – For pre-Medicare medical benefits, the trend rate is initially is 5.6% and 5.7% for the June 30, 2019 and 2018 valuations, respectively, and the long-term trend rate decreases to a 4.5% after seven years and 4.5% after eight years, respectively. For prescription drug benefits, the initial trend rate is 7.0% and 7.5% for the June 30, 2019 and 2018 valuations, respectively, decreasing to a 4.5% and 4.5% long-term trend rate after eight and seven years, respectively. For post-65 medical benefits, the actually fully-insured Medicare Advantage trend rate for fiscal year are reflected. The Medicare Advantage trend rate is 4.5% for the June 30, 2018 valuation and will continue in all future years. For the Medicare Part B reimbursement, the trend rate is 5.0% for the June 30, 2019 and 2018 valuations.

(7) Accounts Payable and Accrued Expenses

The components of accounts payable and accrued expenses as of June 30, 2021 and 2020 are as follows:

Accounts Payable and Accrued Expenses			
		2021	2020
Vendors and other	\$	26,759,145	23,793,901
Salaries, benefits, and withholdings		23,128,591	12,230,290
Due to State of New Jersey		5,700,483	7,601,894
Compensated absences – current portion		12,269,953	11,086,432
Accrued interest payable		13,317,433	14,399,301
Total accounts payable and accrued expenses	\$	<u>81,175,605</u>	<u>69,111,818</u>

(8) Long-term Debt**(a) Bonds Payable**

Capital assets are financed through revenue bonds of the New Jersey Educational Facilities Authority (NJEFA), the CCIA and the GCIA. The following obligations were outstanding as of June 30, 2021 and 2020:

Outstanding Bonds Payable			
	Interest rate	2021	2020
CCIA Series 2010 A Build America Bonds, due serially to 2035	5.055%–7.847%	\$ —	83,660,000
NJEFA Series 2011 C Revenue Refunding Bonds, due serially to 2025	3.000%–5.000%	9,850,000	12,550,000
CCIA Series 2013 A Rowan SOM Revenue Refunding Bonds, due serially to 2032	3.000%–5.000%	20,820,000	21,980,000
CCIA Series 2013 B Rowan SOM Revenue Refunding Bonds due serially to 2032	0.890%–5.160%	17,710,000	19,175,000
GCIA Series 2015 A Revenue Bonds, due serially to 2036	3.250%–5.000%	34,745,000	34,745,000
GCIA Series 2015 B Revenue Refunding Bonds, due serially to 2031	1.500%–5.000%	48,155,000	53,860,000
GCIA Series 2015 C Revenue Bonds, due serially to 2044	4.000%–5.000%	51,550,000	51,550,000
NJEFA Series 2016 C Revenue Refunding, due serially to 2031	2.500%–5.000%	38,685,000	41,595,000
GCIA Series 2017 A Revenue Bonds, due serially to 2033	3.000%–5.000%	68,880,000	71,370,000
GCIA Series 2019 Revenue Bonds, due serially to 2048	4.000%–5.000%	56,600,000	56,600,000
CCIA Series 2020 A Revenue Refunding Bonds, due serially to 2035	5.000%	63,740,000	—
CCIA Series 2020 B Revenue Refunding Bonds, due serially to 2023	1.125%–1.330%	10,760,000	—
GCIA Series 2021 Loan Revenue Bonds, due serially to 2052	4.000%–5.000%	64,780,000	—
GCIA Series 2021 Loan Revenue Notes, due serially to 2025	0.600%	24,500,000	—
		<u>510,775,000</u>	<u>447,085,000</u>
Plus:			
Bond premium		62,848,709	36,990,227
Total bonds payable	\$	<u>573,623,709</u>	<u>484,075,227</u>

Future annual debt service requirements approximate the following:

Bonds Payable Principal and Interest Repayments			
	Principal amount	Interest amount	Total amount
Year ending June 30:			
2022	\$ 24,085,000	20,771,033	44,856,033
2023	21,280,000	20,497,793	41,777,793
2024	47,485,000	19,528,946	67,013,946
2025	23,845,000	18,262,352	42,107,352
2026	24,045,000	17,087,455	41,132,455
2027-2031	126,855,000	67,477,239	194,332,239
2032-2036	92,670,000	42,790,394	135,460,394
2037-2041	61,505,000	25,197,487	86,702,487
2042-2046	57,730,000	12,179,350	69,909,350
2047-2051	26,995,000	3,300,500	30,295,500
2052-2056	4,280,000	85,600	4,365,600
	<u>\$ 510,775,000</u>	<u>247,178,149</u>	<u>757,953,149</u>

In July 2020, the CCIA issued Rowan University Series 2020A Bonds. The 2020A tax exempt revenue refunding bonds totaled \$63,740,000 with a coupon rate of 5.000% and maturing through 2035. The proceeds from these bond issuances were used to refund and redeem the 2010A Bonds, and pay the costs and expenses incurred in the issuance of the 2020A Bonds. The principal amounts of these bonds were \$63,740,000 as of June 30, 2021. On a net present value basis, savings were \$9,557,258 or 11.9% of the par amount of bonds refunded. The refunding resulted in a gross debt service cash-flow savings of \$10,647,062.

In July 2020, the CCIA issued Rowan University Series 2020B Bonds. The 2020B federally taxable revenue refunding bonds totaled \$10,760,000 with coupon rates ranging from 1.125% to 1.330% and maturing through 2023. The proceeds from these bond issuances were used to pay the costs related to the Swap termination in connection with the refunding of the 2010A Bonds, and pay the costs and expenses incurred in the issuance of the 2020B Bonds. The principal amounts of these bonds were \$10,760,000 as of June 30, 2021.

In April 2021, the GCIA issued Rowan University Series 2021 Bonds. The 2021 tax exempt loan revenue bonds totaled \$64,780,000 with coupon rates ranging from 4.000% to 5.000% and maturing through 2052. The proceeds from these bond issuances were used to finance a portion of the costs of a project consisting of construction of an approximately thirty thousand one hundred fifty square foot museum/visitors center and a hiking trail on property in Mantua Township, Gloucester County, a portion of the costs of a project consisting of the construction of an approximately thirty thousand square foot expansion of the Chamberlain Student Center, capitalized interest on the 2021 Bonds, and the costs and expenses incurred in the issuance and sale of the 2021 Bonds. The principal amounts of these bonds were \$64,780,000 as of June 30, 2021.

In April 2021, the GCIA issued Rowan University Series 2021 Notes. The 2021 tax exempt loan revenue notes totaled \$24,500,000 with a coupon rate of 0.600% and maturing through 2025. The proceeds from these bond issuances were used to finance a portion of the costs of the Student Center Project, capitalized interest on the 2021 Notes, and the costs and expenses incurred in the issuance and sale of the 2021 Notes. The principal amounts of these bonds were \$24,500,000 as of June 30, 2021.

(b) Capital Lease Obligation

In 2008, the University entered into a lease agreement with SORA Housing LLC (SORA Housing). SORA Housing constructed two four story student housing facilities with a total of 242 units, consisting of 884 total beds, on a leasehold interest in land that was conveyed to SORA Housing by the Borough of Glassboro. SORA Housing agreed to lease the land, the facilities and the facilities equipment together with the fixtures, improvements and equipment to the University. Rental payments are due in semiannual installments on September 1 and February 1, each year. The University has a capital lease payable as of June 30, 2021 and 2020 in the amount of \$74,025,924 and \$73,449,020, respectively.

In 2008, the University entered into a lease agreement with SORA Retail LLC (SORA Retail). SORA Retail constructed an approximately thirty six thousand square foot two story building for use as a university bookstore and other uses compatible with a university bookstore. The bookstore, which also contains a coffee shop, is being sub-leased to Barnes & Noble College Booksellers, Inc. Rental payments are due in monthly installments. The University has a capital lease payable as of June 30, 2021 and 2020 in the amount of \$12,146,736 and \$12,037,305, respectively.

In 2011, the University entered into a lease agreement with SORA A-1 Housing Urban Renewal Entity, LLC (SORA A-1). SORA A-1 constructed a mixed-use building on land it owns in Glassboro, New Jersey. The building consists of a five-story, mid-rise apartment building with ground floor retail. Within this building, on the second through fifth floor, SORA A-1 constructed apartment units, classrooms, offices and other administrative spaces. The administrative space, in addition to classrooms and offices, includes lounges, study rooms, recreational rooms together with all common elements, including elevators, laundry facilities, recreational and fitness facilities and other amenities. The University's lease pertains to the apartment units and administrative areas only. The apartment units are being occupied by University honor students and consist of 280 beds. Rental payments are due in semi-annual installments on September 1 and February 1, each year. The University has a capital lease payable as of June 30, 2021 and 2020 in the amount of \$34,847,945 and \$34,705,329, respectively.

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

In April 2012, the University entered into a lease agreement with Nexus Holdings, LLC (Nexus). Nexus constructed a multi-level parking garage consisting of approximately 1,200 parking spaces. The construction started in July 2012 and was completed for the Fall 2013 semester. The University's lease pertains to the use of 900 parking spaces as well as the use of all common areas of the parking garage. The term of the lease shall be for a period of thirty years and started on the date when the facility became ready for occupancy. At the completion of the lease term, the University will have the option of extending the lease for an additional four terms of ten years each. The University will have the option to purchase 900 spaces in the garage at fair market value at any time within the first five years after the expiration of the initial term of the lease. The University has a capital lease payable as of June 30, 2021 and 2020 in the amount of \$21,215,580 and \$21,325,257, respectively.

In April 2012, the University entered into a second lease agreement with Nexus to construct a five-story retail, classroom and office building. The construction started in July 2012 and was completed for the Fall 2013 semester. The University's lease pertains to the second through fifth floors, which will contain classrooms and office space, as well as the central lobby of the building and the lobby and stairwells

connecting the building to an adjacent parking garage. The first floor of the building will be for retail operations. The term of the lease will be for a period of twenty years and started on the date when the facility became ready for occupancy. The University will have the option to purchase the leased portion of the property, at the end of the term, for \$1.00 consideration. The University has a capital lease payable as of June 30, 2021 and 2020 in the amount of \$13,407,272 and \$14,000,800, respectively.

In October 2019, the University entered into a lease agreement with Rowan College of South Jersey (RCSJ) to construct a primarily bond funded building for use by the University to expand SOM and growth in the areas of family medicine, pediatrics, pain management, and psychiatry. The building will include a café/food service space reserved to RCSJ that the University has non-exclusive rights to use. In March 2021, the University began occupying the building for use by the SOM Faculty Practice Plans. The term of the lease is 30 years from the date the building was substantially completed. The University will have the option to purchase the property including the café, at the bond term expiration for \$1.00 consideration. The University has a capital lease payable as of June 30, 2021 in the amount of \$20,132,545.

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

Capital Lease Principal and Interest Payments			
	Principal amount	Interest amount	Total amount
Year ending June 30:			
2022	\$ (556,968)	15,519,284	14,962,316
2023	(254,724)	15,526,959	15,272,235
2024	151,993	15,501,175	15,653,168
2025	549,684	15,436,014	15,985,698
2026	1,450,518	15,329,196	16,779,714
2027-2031	21,672,630	72,568,400	94,241,030
2032-2036	41,931,362	59,103,521	101,034,883
2037-2041	77,352,771	33,950,897	111,303,668
2042-2046	27,076,899	3,384,079	30,460,978
2047-2051	6,401,837	544,826	6,946,663
	<u>\$ 175,776,002</u>	<u>246,864,351</u>	<u>422,640,353</u>

(c) Other Long-Term Debt

Other long-term debt consists of the following:

- (A) The Higher Educational Capital Improvement Fund Act was established to finance capital improvements and related costs at public and private institutions of higher education within the State. Funding was provided from bonds issued by the NJEFA. The total University allocation for this program was \$23,887,250. The University is required to pay 1/3 of the debt service on its allocation of the bond proceeds, plus administrative fees of the trustees and the Authority. The outstanding balance as of June 30, 2021 and 2020 is \$1,927,194 and \$2,479,801, respectively, with maturities through August 15, 2022.
- (B) As a result of the New Jersey Medical and Health Sciences Education Restructuring Act, Higher Educational Capital Improvement Fund Act outstanding debt of UMDNJ, related to SOM, was transferred to the University on July 1, 2013. The outstanding balance on this debt, as of June 30, 2021 and 2020 is \$0 and \$349,372, respectively.

- (C) In July 2013, the University received notification of an institutional grant award from the New Jersey Higher Education Capital Facilities Grant Program. The University was awarded \$26,588,048 from the Higher Educational Capital Improvement Fund Act. The University is required to pay 1/3 of the debt service on its allocation of the bond proceeds plus administrative fees of the Trustees and the Authority. The outstanding balance as of June 30, 2021 and 2020 is \$6,391,143 and \$6,736,081, respectively, with maturities through August 15, 2033.
- (D) In July 2013, the University received notification of an institutional grant award from the New Jersey Higher Education Capital Facilities Grant Program. The University was awarded \$750,000 from the Higher Education Equipment Leasing Fund. The University is required to pay 1/4 of the debt service on its allocation of the bond proceeds plus administrative fees of the Trustees and the Authority. The outstanding balance as of June 30, 2021 and 2020 is \$43,377 and \$63,524, respectively.
- (E) In July 2016, the University was notified by the State that it was awarded a \$16,000,000 grant under the Higher Education Capital Improvement Fund Act. Funding was provided from bonds issued by the NJEFA. The grant is to be used to fund two projects: (1) Facilities Adaptive Reuse Program for Academic Space Expansions and (2) Joint Health Sciences Center Expansion. The University is required to pay 1/3 of the debt service on its allocation of the bond proceeds. The outstanding balance as of June 30, 2021 and 2020 is \$4,575,201 and \$4,760,286, respectively, with maturities through August 15, 2036.

Principal and interest payments for these obligations are as follows:

Other Long Term Debt Principle and Interest Repayments			
	Principal amount	Interest amount	Total amount
Year ending June 30:			
2022	\$ 1,526,455	551,892	2,078,347
2023	1,587,236	493,231	2,080,467
2024	615,777	446,991	1,062,768
2025	646,286	416,564	1,062,850
2026	677,107	385,773	1,062,880
2027-2031	3,868,575	1,444,539	5,313,114
2032-2036	3,607,461	478,838	4,086,299
2037-2039	408,018	10,200	418,218
	<u>\$ 12,936,915</u>	<u>4,228,028</u>	<u>17,164,943</u>

(d) Long-Term Obligations

Changes in long-term obligations for the year ended June 30, 2021 and 2020 are as follows:

2021					
Long-term Obligations Rollforward					
	Beginning balance	Additions	Reductions	Ending balance	Due within One Year
Bonds payable, including swap liability	\$ 494,422,692	193,887,153	114,686,136	573,623,709	24,085,000
Other long-term debt	14,389,064	—	1,452,149	12,936,915	1,526,455
Capital lease obligation	155,517,711	19,900,000	(358,291)	175,776,002	(556,968)
Total long-term obligations	\$ 664,329,467	213,787,153	115,779,994	762,336,626	25,054,487

2020					
Long-term Obligations Rollforward					
	Beginning balance	Additions	Reductions	Ending balance	Due within One Year
Bonds payable, including swap liability	\$ 508,550,530	6,729,121	20,856,959	494,422,692	30,432,465
Other long-term debt	15,794,020	—	1,404,956	14,389,064	1,452,148
Capital lease obligation	155,157,734	—	(359,977)	155,517,711	(125,746)
Total long-term obligations	\$ 679,502,284	6,729,121	21,901,938	664,329,467	31,758,867

The University does not have any direct borrowings or direct placements related to governmental activities or business-type activities. The University does not have any open lines of credit.

The GCIA 2015A, GCIA 2015B, GCIA 2015C, NEFA 2016C, GCIA 2017A, GCIA 2019, GCIA 2021 Bonds, and GCIA 2021 Notes series contain provisions that, in the event of default, the bondholders have the right to request all outstanding amounts of their respective bond in default immediately. The NEFA 2011C, CCIA 2013A, CCIA 2013B, CCIA 2020A and CCIA 2020B series are secured with the collateral of their respective financed projects. The default remedy allows the respective issuer to refit the building and sublet the property until all outstanding amounts have been recovered, including the refit costs. The capital lease arrangements with Nexus for a multi-level parking garage and a five-story retail, classroom, and office building contain provisions that, in the event of default, the leaseholder has the right to terminate the lease and sell privately or publicly, the goods, fixtures, or other personal property, as well as cancel the respective purchase options at the end of the lease. The 2016A and CIF 2016B grants from the Higher Education Capital Improvement Fund Act include provisions that, in the event of default, the issuer has the right to request the forfeiture of all the unused grant funds and the repayment of all used funds, with a credit for any principal payments already made by the University, with respect to the issuance in default. The 2014 grant from the New Jersey Higher Education Capital Facilities Grant Program contains a provision that, in the event of a default, the State is allowed to withhold appropriations to recover the amount owed. The 2013 grant from the Higher Education Equipment Leasing Fund contains a provision that, in the event of a default, the State is allowed to sublet the equipment until it recovers the amounts owed. The 2002A long-term debt obligation transferred from UMDNJ contains a provision that, in the event of default, the bondholders have the right to request all outstanding amounts of their respective bond in default immediately.

(9) Derivative Instruments

On January 30, 2019 the University entered into a pay-fixed, receive-variable interest rate swap in order to protect against adverse changes in cash flows caused by variable prices, costs, rates, or terms that cause future prices to be uncertain. These swaps are valued using a market approach that considers benchmark interest rates and are classified in Level 2 of the fair value hierarchy. On July 29, 2020 the University terminated the swap using funding from the 2020B Series bonds.

The fair value and notional amounts of derivative instruments outstanding at June 30, 2021 and 2020 were as follows:

Derivative Instruments					
		2021		2020	
		Notional Amount	Fair Value	Notional Amount	Fair Value
Investment derivatives:					
Pay-fixed interest rate swaps	\$	—	—	72,595,000	(10,347,465)
Total Derivative instruments - swap liability	\$	—	—	72,595,000	(10,347,465)

In accordance with GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, an interest rate swap is considered an effective cash flow hedge if the swap payment received substantially offsets the payment made on the associated debt and changes in fair value are deferred as either a deferred outflow or a deferred inflow of resources. An interest rate swap that is not considered an effective cash flow hedge, in accordance with the provisions of the Statement, is deemed to be an investment derivative instrument and changes in fair value are recorded as net investment income (loss). For the fiscal year ending June 30, 2021 and 2020, the fair value of investment derivative instruments decreased \$325,735 prior to the termination of the agreement and \$6,729,121, respectively.

For the year ended June 30, 2021, the University had no derivative instruments outstanding.

Swap #	Type	Objective	Notional Amount 2021	Effective Date	Termination Date	Terms	Counterparty Credit Rating (Moody's/S&P)	Fair value	Change in Fair Value from 2020
1	Pay fixed, receive variable interest rate swap	Hedge of changes in cash flows on fixed-rate General Obligation Bond	\$ —	1/1/2021	7/29/2020	Pay fixed 2.2885%, receive 80% of 3 month LIBOR	Aa2/AA	\$ —	10,347,465

For the year ended June 30, 2020, the University had one derivative instrument outstanding.

Swap #	Type	Objective	Notional Amount 2020	Effective Date	Termination Date	Terms	Counterparty Credit Rating (Moody's/S&P)	Fair value	Change in Fair Value from 2019
1	Pay fixed, receive variable interest rate swap	Hedge of changes in cash flows on fixed-rate General Obligation Bond	\$ 72,595,000	1/1/2021	7/1/2035	Pay fixed 2.2885%, receive 80% of 3 month LIBOR	Aa2/AA	\$ (10,347,465)	(6,729,121)

Risk

As of June 30, 2021 the University is not exposed to any risk associated with swaps as the sole swap was terminated on July 29, 2020. As of June 30, 2020 the use of derivatives contained certain risks for the University, including the following:

Credit Risk:

To mitigate credit risk, the University and the counterparty require the posting of collateral based on their respective credit rating. The amount of such collateral shall equal the market value of the swap in excess of the applicable collateral threshold based on the rating of such counterparty at such time. The collateral threshold for the University was \$15,000,000.

As of June 30, 2020, the University's Credit ratings by Moody's and S&P was A2 and A, respectively. The market value of the swap, (\$10,347,465) was below the \$15,000,000 threshold, as such there was no requirement for collateral.

Basis Risk:

There is a risk that the variable payment received on interest rate swaps will not match the variable payment on the bonds or commercial paper. This risk is known as basis risk. Swaps have basis risk because the interest rates on the bonds and commercial paper are reset periodically by the remarketing agent or commercial paper dealer and may not exactly match the variable receipt on the interest rate swaps, which are based on a percentage of either LIBOR or SIFMA indexes.

Rollover Risk:

The University is exposed to rollover risk on swaps only if the counterparty exercises its termination option, in which case the University will not realize the synthetic rate offered by the swaps on the underlying debt issues.

Termination Risk:

The University or any of the involved counterparties may terminate any of the swaps if the other party fails to perform under the terms of the contract. If a swap is terminated, the variable rate debt issue would no longer carry a synthetic fixed interest rate. Also, if at termination a swap has a negative fair value, the University would be liable to the appropriate counterparty for a payment equal to the swap's fair value.

(10) Noncurrent Liabilities

Noncurrent liabilities activity for the year ended June 30, 2021 and 2020 was as follows:

2021 Noncurrent Liabilities Activity						
	Beginning balance	Additions	Reductions	Ending balance	Current portion	Non-current portion
Compensated absences	\$ 14,041,548	12,230,498	11,086,431	15,185,615	12,269,953	2,915,662
Unearned revenue	40,255,053	28,083,309	37,804,481	30,533,881	28,186,485	2,347,396
Other liabilities	4,693,895	8,668,206	40,216	13,321,885	6,309,863	7,012,022
Repurchase liability	3,220,000	—	—	3,220,000	—	3,220,000
Deposits held in custody for others	2,937,252	2,782,227	1,582,603	4,136,876	231,383	3,905,493
Net pension liability	288,130,773	12,281,762	30,580,455	269,832,080	—	269,832,080
Bonds payable	484,075,227	193,561,418	104,012,936	573,623,709	24,085,000	549,538,709
Other long-term debt	14,389,064	—	1,452,149	12,936,915	1,526,455	11,410,460
Capital lease obligation	155,517,711	19,900,000	(358,291)	175,776,002	(556,968)	176,332,970
Derivative instruments – swap	10,347,465	325,735	10,673,200	—	—	—
Total noncurrent liabilities	\$ 1,017,607,988	277,833,155	196,874,180	1,098,566,963	72,052,171	1,026,514,792

2020 Noncurrent Liabilities Activity						
	Beginning balance	Additions	Reductions	Ending balance	Current portion	Non-current portion
Compensated absences	\$ 11,064,069	11,267,263	8,289,784	14,041,548	11,086,431	2,955,117
Unearned revenue	30,441,609	37,974,458	28,161,014	40,255,053	37,804,481	2,450,572
Other liabilities	2,528,934	4,653,679	2,488,718	4,693,895	—	4,693,895
Repurchase liability	3,220,000	—	—	3,220,000	—	3,220,000
Deposits held in custody for others	2,136,370	2,743,496	1,942,614	2,937,252	—	2,937,252
Net pension liability	292,091,658	23,096,244	27,057,129	288,130,773	—	288,130,773
Bonds payable	504,932,186	—	20,856,959	484,075,227	20,085,000	463,990,227
Other long-term debt	15,794,020	—	1,404,956	14,389,064	1,452,148	12,936,916
Capital lease obligation	155,157,734	—	(359,977)	155,517,711	(125,746)	155,643,457
Derivative instruments – swap	3,618,344	6,729,121	—	10,347,465	10,347,465	—
Total noncurrent liabilities	\$ 1,020,984,924	86,464,261	89,841,197	1,017,607,988	80,649,779	936,958,209

(11) Professional Services and Contract Revenues

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

The components of net professional services and contract revenues for the year ended June 30, 2021 and 2020 are as follows:

Net Professional Services and Contracts Revenue		
	2021	2020
Faculty practice revenues:		
Gross charges	\$ 65,652,291	55,420,315
Contractual and other allowances	(31,214,947)	(25,398,213)
Provision for bad debts	(1,338,586)	(1,079,087)
Bad debt recovery	238,550	185,513
Total faculty practice	33,337,308	29,128,528
House staff and affiliation revenues:		
House staff billings	21,296,411	21,704,053
Affiliation billings	2,783,845	2,615,720
Total house staff and affiliation	24,080,256	24,319,773
Total net professional services and contract revenues	\$ 57,417,564	53,448,301

Gross charges pertain to the following payers:

Faculty Practice Plan Gross Charges		
	2021	2020
Medicare	35 %	36 %
Medicaid and Medicaid HMO	17	17
Contracts	11	13
Other third party payors	35	32
Uninsured, charity care and self pays	2	2
	100 %	100 %

Faculty practice gross accounts receivable pertain to the following payers:

Faculty Practice Plan Accounts Receivable		
	2021	2020
Medicare	24 %	31 %
Medicaid and Medicaid HMO	21	14
Contracts	21	24
Other third party payors	29	25
Self pays	5	6
	100 %	100 %

(12) Commitments and Contingencies**(a) Operating Leases**

The University leases certain space and equipment used in general operations. Rental expense was approximately \$4,385,377 and \$4,750,614 during fiscal year 2021 and 2020, respectively. Future minimum annual rental commitments approximate the following:

Operating Lease Future Commitments	
	Amount
Year ending June 30:	
2022	\$ 4,053,544
2023	2,812,874
2024	2,688,140
2025	2,249,231
2026	2,257,885
2027 and thereafter	21,818,205
	<u>\$ 35,879,879</u>

(b) Compensated Absences

The University recorded a liability for accumulated vacation time in the amount of approximately \$12,270,000 and \$11,086,000 as of June 30, 2021 and 2020, respectively, which is included in accounts payable and accrued expenses in the accompanying statements of net position. The liability is calculated based upon employees' accrued vacation leave as of the statements of net position date.

Payments for accumulated sick leave balances are made to retiring employees upon regular retirement. The payment is based on 50% of the employee's sick leave accumulation, at the pay rate in effect at the time of retirement up to a maximum of \$15,000. Employees separating from University service prior to retirement are not entitled to payments for accumulated sick leave balances. Accordingly, the University recorded a liability for accumulated sick leave balances in the amount of approximately \$2,571,000 and \$2,594,000 as of June 30, 2021 and 2020, respectively, which is included in compensated absences non-current portion in the accompanying statements of net position.

During fiscal year 2010, bargaining unit employees were required to take seven unpaid furlough days. Three of these days were banked for either future use or pay out upon separation. A liability for the accumulated leave bank in the amount of approximately \$344,000 and \$361,000 as of June 30, 2021 and 2020, respectively, is recorded in compensated absences non-current portion in the accompanying statements of net position.

(c) Risk Management

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

unemployment liability, life insurance and employee retirement programs). An annual appropriation is provided by the legislature for all statutory self funded programs.

The University purchases and maintains a commercial property insurance policy through a joint insurance program with the New Jersey Association of State Colleges and Universities (NJASCU a/k/a the Consortium). University buildings, contents, plant operations, boiler & machinery, business interruption, and lost revenue are insured on an all risk replacement cost basis with a per occurrence limit of \$2.0 billion, subject to a \$100,000 per occurrence deductible. A \$500,000 combined per occurrence deductible applies to several University buildings due to flood exposure; the University's per occurrence policy deductible is capped at the \$500,000.

In addition to the property insurance policy maintained through the consortium, the University maintains several policies of insurance to ensure a comprehensive approach to managing the risk of loss from exposures that are or may be ineligible for Tort Claims Protection. The following policies are maintained and these policies also extend coverage to the University's separately incorporated 501(c)(3) auxiliary organizations: Crime insurance policy (moneys and securities coverage) in the amount of \$2,000,000 with a per loss deductible of \$25,000; Information Security & Privacy Liability in the amount of \$15,000,000 with a per loss deductible of \$100,000; and Pollution Legal Liability in the amount of \$10,000,000 with a per loss deductible of \$100,000. The University maintains a Student Professional Liability policy in the amount of \$1,000,000 per occurrence with a \$3,000,000 annual aggregate and a per loss deductible of \$10,000 to cover students participating in professional internships (excludes medical students since they are provided protection through the Tort Claims Act). Effective July 1, 2019 the University maintains an Executive Plus Director's and Officer's Liability policy in the amount of \$5,000,000.

The following policies of insurance are maintained for the University's separately incorporated 501 (c)(3) auxiliary organizations (New Jersey Statutes Title 18A Education provides each auxiliary organization with the power to "sue and be sued" (N.J.S.A. 18A:64 30) and directs them to procure their own legal representation because they will not be represented by the State of New Jersey Office of Attorney General (N.J.S.A. 18A:64 35), thereby exempting them from protection under the New Jersey Tort Claims Act): Director's and Officer's Liability in the amount of \$5,000,000 with a per occurrence deductible of \$25,000; General Liability in the amount of \$1,000,000 per occurrence with a \$3,000,000 annual aggregate and a per occurrence deductible of \$100,000, which also extends coverage to Rowan student educational programs and activities; and excess liability in the amount of \$20,000,000 which responds above the General Liability policy, and the University's Student Professional Liability policy referenced above, and also provides difference in conditions coverage to the University to cover any gaps in Tort Claims liability protection.

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

(d) Medical Malpractice Self-Insurance Fund

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

Payment of claims (indemnity and expenses) from the Fund totaled \$573,960 and \$1,807,918 in fiscal year 2021 and 2020, respectively, for SOM. The University contributes \$3,250,000 per year to the fund. Of this amount for fiscal year 2021, \$2,437,500 was paid while the remaining \$812,500 is included in accounts payable and accrued expenses as of June 30, 2021. Of this amount for fiscal year 2020, \$2,437,500 was paid while the remaining \$812,500 was included in accounts payable and accrued expenses as of June 30, 2020.

(e) Voluntary Compliance Plan

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

(f) Other Contingencies

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

(g) Service Concession Arrangement for the Student Housing Facility

(i) Ground Lease

On April 30, 2015, the University entered into a ground lease with Provident Group – Rowan Properties LLC (Provident) to develop, construct and operate a student housing facility (the Project), consisting of an approximately 1,415 bed student housing facility including a shell for a residential dining facility, with all buildings, improvements, fixtures, furnishing, equipment and amenities necessary for the operation thereof on certain real property located on the campus (the Land), along with associated site infrastructure and various related amenities, utilities and improvements within and outside the Land. The term of the ground lease is 37 years and commenced on April 30, 2015 with no option to renew or extend by Provident. Upon termination of the ground lease, all rights, title and interest to the Project shall automatically and immediately vest in the University. The base annual rent is equal to the surplus cash flows, net of reserve requirements from inception to the preceding period. In the event the rent payment would cause Provident to break any debt covenants, the University would not collect rent for that year.

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

During the term of the ground lease, Provident shall use and operate the Land for the sole and exclusive purpose of developing and constructing the Project, operating the Project as a student housing facility only for residents, with a sublease of the Dining Facility with the University under the Dining Facility Sublease for use by the residents, the University, students and staff of the University and their visitors and authorized representatives. The University will act as an agent for Provident, entering into Residence License Agreements with students to reside in the student housing facility, collecting all amounts due and remitting them to the Bond Trustee and enforcing compliance with the Residence License Agreements in accordance with the management agreement. Under the terms of the Bond Trustee Indenture, the Bond Trustee will accumulate these fees to pay the annual

debt service of Provident and reimburse the operating expenses of the student housing facilities on a monthly basis.

(ii) *Management Agreement*

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

All fees due to the Manager are the responsibility of Provident. The University is responsible for the billing and collection of student housing fees, deposits, charges and other amounts under residence license agreements and remitting the funds to the Bond Trustee. The University will provide resident life services and staffing; marketing of the student housing facility; and cable, telephone and internet services, all of which may be reimbursed as operating expenses of the Project.

(iii) *Dining Facility Sublease*

On April 30, 2015, the University entered into a Dining Facility Sublease with Provident for the operation and management of a dining facility that was constructed under the project development agreement. The term began on the date that the Project is substantially completed and the University accepts possession of the dining facility. The end of the lease is concurrent with the ground lease with automatic renewal to the extent that the ground lease is extended or renewed. The base annual rent is \$1.00.

(iv) *Nature and Extent of Rights*

During the term of the ground lease, Provident shall use and operate the Property for the sole and exclusive purpose of developing and constructing the Project, operating the Project as a student housing facility only for residents, with a sublease of the Dining Facility with the University under the Dining Facility Sublease for use by the residents, the University, students and staff of the University and their visitors and authorized representatives. The building shall be named as determined by the University in its sole and absolute discretion. The Manager shall manage, operate, and maintain the Student Housing Facility, with the advice and consultation of a project operations committee established by Provident under the Operating Agreement, pursuant to the Ground Lease, which shall at all times be composed of five (5) members, three (3) of whom shall be appointed by the University, one (1) of whom shall be appointed by the Manager, one (1) of whom shall be appointed by Provident. Under the ground lease, the University also have the right and option at any time after ten (10) years either (a) to purchase Provident's right, title, and interest in and to the Property, or (b) to terminate the Ground Lease, or (c) to acquire all the rights, titles and interests of Provident under the Loan Agreement and the other Bond Documents and any and all disbursements to be made. Upon the termination or expiration of the Ground Lease from any cause, all rights and interests of Provident shall immediately cease and terminate, and all of the Project and Property, including all buildings, structures, improvements, equipment, engines, machinery, dynamos, generators, boilers, furnaces, elevators, fire escapes, and all lifting, lighting, heating, cooling, refrigerating, air conditioning, ventilating, gas, electric and plumbing apparatus, appliances and fixtures, as well as other fixtures attached to or within the Property, and all personal property and any other personal property located thereon, shall thence forward constitute and belong to and be the absolute property of the University or the University's successors and assigns.

(h) Dining Services

In June 2014, the University entered into a dining services agreement with Gourmet Dining, LLC to provide dining services. The agreement also established a Capex Fund for the University related to the purchase of dining facility related equipment to be amortized over the life of the agreement. The University amended the agreement effective October 2018 which extended the agreement through June 30, 2033 and established an Investment Fund balance at the University to be funded by Gourmet Dining through annual deposits through October 2021, which the University will return in monthly increments through June 30, 2035. The University amended the agreement effective October 2020 which allowed the University to defer the monthly Investment Fund increments due October 2020 through December 2021 until fiscal year 2022. A subsequent amendment extended this deferral through the remainder of fiscal year 2021. The full deferral of \$1,102,355 will be amortized beginning July 1, 2021 through June 30, 2033. The unamortized balance in the Capex Fund as of June 30, 2021 and 2020 was \$9,279,815 and \$10,058,683, respectively. The remaining balance in the Investment fund as of June 30, 2021 and 2020 was \$21,679,654 and \$11,623,377.

(i) Camden Housing Project

In April 2014, the University entered into an agreement regarding Development of Housing and Related Guaranty of Rental Payment with Broadway Housing Partners LLC (the Developer) to purchase and redevelop the properties in the immediate vicinity of the Cooper Medical School of Rowan University. These properties contain approximately fifty-six residential rental units, which the Developer intends to lease to University students as fair market rental housing, and, with regard to any units that are not leased to University students, to any other qualified renters, so as to maximize occupancy of the units in the project. As the University directly benefits from the redevelopment of the properties, the University warrants to pay the Developer on an annual basis the difference between ninety-five percent of aggregate standard rent and the aggregate rent collected. There is no cap of these shortfall payments during the initial term (years 1–10). During the second term (years 11–20), as the rent increases, in year 11 the shortfall payment shall not exceed \$300,000; and in each calendar year thereafter the cap shall be increased by a percentage equal to the percentage increase in the CPI index. The University's shortfall payments will not exceed the aggregate amount of \$2,500,000 over the course of the second term. The University shall have no obligation to pay any amounts to the Developer for the periods after the expiration of the second term. The first rental year began on August 1, 2015. The University made \$232,979 and \$153,442 shortfall payments during fiscal year 2021 and 2020, respectively.

(j) Glassboro Housing Project

In November 2016, December 2016, and April 2017 the University entered into agreements with Urban Renewal, LLC (the Developer) for affiliated student housing in Glassboro NJ. These three properties provide housing for approximately 1,619 students. As the University directly benefits from the development of the properties, the University warrants to pay the Developer on an annual basis the difference between ninety-five percent of aggregate standard rent and the aggregate rent collected for each agreement. The ninety-five percent annual guaranty amount for all three properties extends through the spring semester of 2024. The University is due a placement fee per bed up to the ninety-five percent of student units. This amount may be deducted from any shortfall payment the University may need to make. The University made a shortfall payment net of the placement fees to the Developer of \$3,031,078 and \$308,241 for the fiscal years 2021 and 2020, respectively.

(k) Inspira Health Network

The University entered into a Purchase and Sale Agreement with Inspira Health Network (Inspira) for certain property owned by the University for \$11.5 million during fiscal year 2016. In conjunction with the transaction, the University and Inspira also entered into a Repurchase and Right of First Refusal Agreement, whereas the University has the option to repurchase the property if Inspira has not

commenced efforts to develop the land by the fourth anniversary of the closing and further, the University has the option to repurchase undeveloped portions of the property after 20 years from the date of the closing. On May 24, 2017, Inspira broke ground on the medical center project planned for the 100-acre parcel property purchased from the University. The first phase of the medical center was approximately 467,000 square feet which will allow for additional development over time. This phase was completed in December 2019. The portion of the property currently under construction represents approximately 72% of the overall property cost. As a result, the University recognized the partial land sale of \$8,280,000, a gain of \$830,817, as well as \$900,000 in contribution revenue for the appraised market value of the donated land from Harrison Township and reduced the original repurchase liability from \$12,400,000 as of June 30, 2016 to \$3,220,000 as of June 30, 2017. As of June 30, 2021 and 2020, the University has a repurchase liability of \$3,220,000.

(l) Camden Garage

On May 22, 2019, the University entered into a ground lease with The Camden County Improvement Authority (CCIA) for the sum of \$1,500,000 to develop and construct a parking garage (the Project), consisting of an approximately 1,025 space parking facility to provide parking to, among others, students, faculty, staff, patients, and visitors of the Medical School and Cooper facilities and the expanding health sciences campus. In connection with the ground lease, CCIA issued revenue bonds to construct the Project and settle the lease payment to the University. The University has no obligation to pay debt service on the bonds. The term of the ground lease is from commencement of May 22, 2019 and shall terminate on the date fifteen years from the final maturity date of the Bonds, which shall occur on June 30, 2049. The lease may be extended should the issuance of additional bonds be required to complete the Project. The lease also has an early termination clause should all indebtedness issued in connection with the Project be paid and all monthly fees owed by the University or Cooper under the parking license agreements (noted below) are paid in full. During the term of the ground lease, CCIA shall use and operate the land for the sole and exclusive purpose of developing and constructing the Project and operating the Project as a parking facility.

(m) Parking License Agreement

On May 1, 2019, the University entered into a Parking License Agreement with CCIA to license parking spots within the parking facility. The University shall pay a monthly license fee, beginning on the date the parking facility commences business operations, for the entire current use equal to the University's pro rate allocation of debt service and all fees and costs associated with the operation of the parking facility. The term of the license agreement commenced on May 22, 2019, the effective date the financing was completed and shall expire at the lesser of 30 years from the effective date, or at the time all indebtedness issued to finance or refinance the parking facility are no longer outstanding.

(13) Rowan University Foundation

(a) Component Unit

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

On August 14, 2014, the Rowan Innovation Venture Fund (the Fund) was formed as a legally separate, single member limited liability corporation whose sole member is the Foundation. The Fund is managed by or under the direction of the Fund's Board of Managers as appointed by the Foundation. Further, the Foundation is able to impose its will on the Fund by influencing its activities and is legally entitled to or can otherwise access the Fund's resources. Because the Foundation is financially accountable for the Fund, the Fund is considered a component unit of the Foundation. The primary purpose of the Fund is establishing, developing, owning, managing, operating and administering a seed and early stage venture capital fund to support and leverage the innovation talents and ideas of the members of the Rowan University community and to accelerate the impact of the University on the economic development of Southern New Jersey. As the Fund is organized as a not-for-profit corporation for which the Foundation is the sole member, its activities are blended into the totals of the Foundation. The Fund is treated as a disregarded entity by the Foundation under Treasury Regulations Sections 301.7701-1 through 301.7701-3 as it is a limited liability corporation with a single owner. Accordingly, the Fund is recognized as a tax exempt entity as described in Section 501(c)(3).

During the year ended June 30, 2021 and 2020 the University received \$11,808,167 and \$10,547,769, respectively, from the Foundation. Complete financial statements of the Foundation can be obtained from the Office of the Chief Financial Officer, Rowan University, Glassboro, New Jersey.

(b) Cash, Cash Equivalents, Restricted Nonexpendable Investments and Investments

As of June 30, 2021 and 2020, the Foundation's cash, cash equivalents and investments are reported on the statements of net position as follows:

Cash, Cash Equivalents, and Investments		
	2021	2020
Cash and cash equivalents	\$ 8,593,411	6,499,480
Restricted cash and cash equivalents	5,720,764	3,797,346
	<u>\$ 14,314,175</u>	<u>10,296,826</u>
Investments	\$ 82,955,010	42,814,640
Restricted investments	55,224,402	25,014,614
Restricted nonexpendable investments	184,286,100	159,381,507
	<u>\$ 322,465,512</u>	<u>227,210,761</u>

Cash, cash equivalents, restricted nonexpendable investments and investments consist of the following as of June 30, 2021 and 2020:

Cash, Cash Equivalents, and Investments		
	2021	2020
Cash and cash equivalents:		
Cash	\$ 7,533,083	6,606,264
Money market funds	6,781,092	3,690,562
	<u>\$ 14,314,175</u>	<u>10,296,826</u>
Investments:		
Bond mutual funds (domestic)	\$ 40,760,711	28,328,294
Common stock mutual funds (domestic)	101,305,330	67,125,589
Common stock mutual funds (international)	48,578,577	42,143,036
Privately held common stock	108,082	108,082
Venture capital investments	3,494,006	3,000,000
Alternative investments	128,218,806	86,505,760
	<u>\$ 322,465,512</u>	<u>227,210,761</u>

For the year ended June 30, 2021 and 2020, the change in fair value on investments was an increase of \$79,243,912 and a decrease of \$7,601,303, respectively and the net realized gain on investments for June 30, 2021 and 2020 was \$4,390,774 and \$10,800,373, respectively. The calculation of realized gains and losses is independent of a calculation of the net change in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year were included as a change in the fair value of investments reported in the prior year and the current year.

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 cash and cash equivalents and investments are subject to various risks. Among these risks are custodial credit risk, credit risk and interest rate risk. Each one of these risks is discussed below.

Custodial credit risk is the risk that in the event of a bank failure, the Foundation's deposits may not be returned to it. Cash and money market accounts were held at a depository and bank balances amounted to \$14,267,692 and \$10,128,885 as of June 30, 2021 and 2020, respectively. Of this amount, \$276,835 and \$304,456 was FDIC insured, leaving an uninsured and uncollateralized balance of \$13,990,857 and \$9,824,429.

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 S&P and Moody's. The Foundation's investment policy requires fixed income securities to replicate the Barclays Capital Aggregate characteristics with regard to maturity, structure, duration, credit quality, sector distribution, etc. As of June 30, 2021 and 2020, the bond mutual funds (domestic) were unrated.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of a debt investment. The Foundation's investment policy does not specifically address limitations in the maturities of investments.

The Foundation's investments' average effective duration for June 30, 2021 and 2020 are as follows:

2021 Foundation Investments' Average Duration		
Investment type	Fair value	Average effective duration
Bond mutual funds (domestic)	\$ 14,413,066	6.04 years
Bond mutual funds (domestic)	8,432,395	5.79 years
Bond mutual funds (domestic)	4,490,091	6.09 years
Bond mutual funds (domestic)	13,294,264	2.30 years
Bond mutual funds (domestic)	130,895	6.59 years
Total	\$ 40,760,711	

2020 Foundation Investments' Average Duration		
Investment type	Fair value	Average effective duration
Bond mutual funds (domestic)	\$ 9,195,131	5.40 years
Bond mutual funds (domestic)	3,855,423	2.48 years
Bond mutual funds (domestic)	8,074,843	6.08 years
Bond mutual funds (domestic)	5,000,735	5.18 years
Bond mutual funds (domestic)	2,093,686	3.90 years
Bond mutual funds (domestic)	108,476	6.08 years
Total	\$ 28,328,294	

Fair Value Measurement

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the financial statement measurement date. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels as follows:

- Level 1 – unadjusted quoted or published prices for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 – quoted or published prices other than those included within Level 1 and other inputs that are observable for an asset or liability, either directly or indirectly.
- Level 3 – pricing inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity or the investment.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3. When the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level that is significant to the entire measurement.

The following is a description of the valuation methodologies used for instruments measured at fair value:

- Bond and common stock mutual funds – The fair value of bond and common stock mutual funds are based on quotations obtained from national securities exchanges or the published price as of the measurement date.
- Venture capital investments – The fair value of the venture capital investments is based off of the initial cost of investments that are entered into during the current fiscal year and cost was determined to approximate fair value. Venture capital investments made in prior years are analyzed to determine if any adjustments to the cost basis of such investments is necessary.
- Alternative investments (including absolute return, private equity and realty investments) – The fair value is based off of the net asset value (NAV), which is provided by the investment managers and reviewed by the management for reasonableness.

While the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The Foundation's financial instruments at June 30, 2021 are summarized in the following table by their fair value hierarchy:

Foundation Financial Instruments Fair Value Hierarchy				
	Total	Level 1	Level 2	Level 3
Investments measured at fair value:				
Bond mutual funds (domestic)	\$ 40,760,711	40,760,711	—	—
Common stock mutual funds (domestic)	101,305,330	101,305,330	—	—
Common stock mutual funds (international)	48,578,577	48,578,577	—	—
Privately held common stock	108,082	—	—	108,082
Venture capital investments	3,494,006	—	—	3,494,006
Subtotal	194,246,706	\$ 190,644,618	—	3,602,088
Investments measured at net asset value:				
Absolute return	43,564,430			
Private equity	69,441,765			
Realty investments	15,212,611			
Subtotal	128,218,806			
Total cash equivalents and investments	\$ 322,465,512			

The Foundation's financial instruments at June 30, 2020 are summarized in the following table by their fair value hierarchy:

Foundation Financial Instruments Fair Value Hierarchy				
	Total	Level 1	Level 2	Level 3
Investments measured at fair value:				
Bond mutual funds (domestic)	\$ 28,328,294	28,328,294	—	—
Common stock mutual funds (domestic)	67,125,589	67,125,589	—	—
Common stock mutual funds (international)	42,143,036	42,143,036	—	—
Privately held common stock	108,082	—	—	108,082
Venture capital investments	3,000,000	—	—	3,000,000
Subtotal	140,705,001	\$ 137,596,919	—	3,108,082
Investments measured at net asset value:				
Absolute return	38,956,729			
Private equity	35,043,523			
Realty investments	12,505,508			
Subtotal	86,505,760			
Total cash equivalents and investments	\$ 227,210,761			

Investments Measured at NAV

The following table represents the unfunded commitments and redemption terms by investment type as of June 30, 2021:

Investments Measured at NAV				
	Fair value	Unfunded commitments	Redemption frequency (if currently eligible)	Redemption notice period
Absolute return ^(a)	\$ 43,564,430	None	Quarterly	65–100 days
Private equity ^(b)	69,441,765	70,883,902	Illiquid	Not applicable
Realty investments ^(c)	15,212,611	3,126,975	Illiquid	Not applicable
	\$ 128,218,806			

The following table represents the unfunded commitments and redemption terms by investment type as of June 30, 2020:

Investments Measured at NAV				
	Fair value	Unfunded commitments	Redemption frequency (if currently eligible)	Redemption notice period
Absolute return ^(a)	\$ 38,956,729	None	Quarterly	65–100 days
Private equity ^(b)	35,043,523	52,856,608	Illiquid	Not applicable
Realty investments ^(c)	12,505,508	5,460,104	Illiquid	Not applicable
	<u>\$ 86,505,760</u>			

- (a) Absolute return includes 5 hedge funds as of June 30, 2021 and 2020. The funds seek to achieve capital appreciations through various strategies, including long/short equity, long/short credit, relative value and other market neutral strategies. One of the investments, about 6.5% of the overall total, are being liquidated and should be redeemed by March 2022. The remaining investments are redeemable as disclosed above.
- (b) Private equity includes 23 and 21 funds as of June 30, 2021 and 2020, respectively. The funds seek to invest in nonpublicly traded investments that will eventually be sold at a return in excess of public markets. This strategy is implemented through illiquid vehicles and cannot be redeemed. The remaining life of these funds is 1 to 12 years with possible extensions for 14 funds. Capital is distributed to investors as the funds' investments are liquidated over that time period.
- (c) Realty investments includes 8 funds as of June 30, 2021 and 2020. All of the funds seek to purchase real estate that can be improved and later sold to provide a return that is in excess of public real estate markets. This strategy is implemented through illiquid vehicles and cannot be redeemed. The remaining life of these funds is 1 to 10 years with possible extensions for four funds. Capital is distributed to investors as the funds' investments are liquidated over that time period.

(c) Restricted Nonexpendable Net Position

Restricted nonexpendable net position as of June 30, 2021 and 2020 consists of the following:

Restricted Nonexpendable Net Position		
	2021	2020
Henry and Betty Rowan for general operations	\$ 97,000,118	97,000,118
Jean and Ric Edelman Fossil Park Endowment	19,354,204	8,502,350
Henry M. Rowan College of Engineering Endowment	19,000,000	18,000,000
The Ric Edelman College of Communication & Creative Arts Endowment	9,500,000	500,000
Rohrer College of Business	4,597,255	4,097,255
The Shreiber Family Pet Therapy Program	3,000,000	3,000,000
Keith and Shirley Campbell Endowment to support library operations	1,641,896	1,641,896
Thomas N. Bantivoglio Honors Program for scholarships	1,403,597	1,403,377
John B. Campbell Professorial Chair	1,176,282	1,176,282
Rona Stern Staut Res. Professorship	1,147,486	943,986
Rohrer Scholars for scholarships	1,080,932	1,080,932
The Lawrence J. '77 and Rita Salva RowanSOM Scholarship Fund	1,000,000	1,000,000
William G. Rohrer Professorial Chair in the College of Business	1,000,000	1,000,000
King Family Professorial Chair	1,000,000	1,000,000
CMSRU Student Loan Assistance Program	1,000,000	1,000,000
Inspira Health Network Endowed Fund	1,000,000	1,000,000
Endowed Chair for Geriatrics	1,000,000	1,000,000
Henry M. Rowan Endowment for Engineering Scholarship	1,000,000	1,000,000
Other endowment funds	18,384,330	15,035,311
	<u>\$ 184,286,100</u>	<u>159,381,507</u>

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

(a) Related Party Transactions*Lease Agreements*

In fiscal year 2008, the University Board of Trustees approved a long-term lease agreement for the SJTP to use a parcel of land owned by the University. The lease commenced on January 1, 2008 and is for 50 years with a renewal term of 20 years. The rental payment was \$50,000 per year as of June 30, 2021 and 2020. The rental payment is included in professional and other services expenses in the

accompanying statement of revenues, expenses, and changes in net position for fiscal years 2021 and 2020.

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. Beginning July 16, 2016, the University also assumed the lease for the second floor of the Innovation Center and intends to conduct renovations to increase wet lab space for the University. For the year ended June 30, 2021 and 2020, SJTP recognized \$1,203,830 and \$1,186,384, respectively, in rental income related to this lease agreement. The University also reimbursed SJTP \$181,796 and \$169,619 for utility charges associated with this lease for fiscal year 2021 and 2020, respectively.

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 \$455,830 and \$392,927 for fiscal year 2021 and 2020, respectively, and are reflected in professional and other services expenses in the accompanying statements of revenues, expenses, and changes in net position.

(15) COVID-19 Pandemic

On March 11, 2020, the World Health Organization declared the COVID-19 outbreak a public health emergency. In response, various governmental agencies mandated stringent regulations and guidelines in an effort to help organizations promote the health and safety of their communities.

In connection with this event, the University closed their campuses and transitioned to fully remote learning and staffing, with the exception of the limited staff whose physical presence was deemed necessary for operations to continue as well as continuity of care at the Rowan SOM Faculty Practice Plans. The campus closure resulted in the University issuing refunds to students for housing and food services in the amount of \$16.9 million in fiscal year 2020.

In fiscal year 2020, the United States Congress passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act on March 27, 2020. The University recognized CARES Act related grants of \$8.0 million, of which \$3.6 million was used as grants for COVID-19 assistance to students (and is included in academic support on the statements of activities) and the balance was used to mitigate a portion of the financial losses incurred by the University for the numerous health and safety measures taken.

For fiscal year 2021, the University recognized \$29.4 million of CARES Act related grants, of which \$3.6 million was used as grants for COVID-19 assistance to students (and is included in academic support on the statement of activities) and the balance was used to mitigate a portion of the financial losses incurred by the University resulting from the COVID-19 pandemic.

The United States Congress passed the Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (CRRSAA) which was signed into law on December 27, 2020. The University recognized \$24.2 million of CRRSAA related grants, of which \$7.2 million was used as grants for COVID-19 assistance to students (and is included in academic support on the statements of activities) and the balance was used to mitigate a portion of the financial losses incurred by the University resulting from the COVID-19 pandemic.

(16) Subsequent Events

The University evaluated events subsequent to June 30, 2021 and through April 29, 2022, the date of which the financial statements were issued.

On July 9, 2021, the University filed a Certificate of Incorporation in the State of Delaware to establish a new component unit, Rowan Global Inc. This component unit was established to advance the University's mission by providing services to accredited higher education institutions that become affiliates of Rowan Global Inc.

On December 20, 2021, the University's Board of Directors approved the affiliation between the University and Virtua Health, Inc., a New Jersey non-profit health system. Through this affiliation the University will expand its clinical education, research, and clinical activities related to the School of Osteopathic Medicine, Nursing, and Translational Biomedical Sciences which will now collectively be referred to as Virtua Health College of Medicine & Health Sciences of Rowan University. The agreement includes an \$85 million endowment from Virtua Health and the University's commitment to invest \$208 million over the first ten years of the affiliation. The primary source of funding for the University's commitment is anticipated to be the endowment established by Virtua Health, additional tuition from the expansion of the nursing and other allied health sciences, and indirect cost recovery.

On February 9, 2022, the University's Board of Directors approved the creation of a new School of Veterinary Medicine. This new school with all academic rights and responsibilities of an academic unit at Rowan University will provide strategic oversight and administration of programs that advance areas of excellence in veterinary medicine. This resolution authorizes the President to proceed with the creation of a new school named the School of Veterinary Medicine with three departments, Department of Clinical Sciences, Department of Diagnostic Medicine & Pathobiology, and Department of Anatomy & Physiology, effective March 1, 2022.

On March 7, 2022 the University closed on the purchased a building, the Glassboro Intermediate School, for \$3.4 million. The 79,891 square foot building will be used as additional administrative office space.

ROWAN UNIVERSITY
(A Component Unit of the State of New Jersey)
Required Supplementary Information (Unaudited)
Schedules of Employer Contributions
June 30, 2021

	2021	2020	2019	2018	2017	2016	2015
Public Employees' Retirement System							
Contractually required contribution	\$ 14,018,029	10,282,861	9,320,515	7,325,414	5,331,193	3,690,074	2,386,805
Contributions in relation to the contractually required contribution	14,018,029	10,282,861	9,320,515	7,325,414	5,331,193	3,690,074	2,386,805
Contribution deficiency (excess)	\$ —	—	—	—	—	—	—
University employee covered-payroll	\$ 53,739,590	53,894,207	53,123,772	50,762,197	52,135,711	50,275,748	51,495,300
Contributions as a percentage of employee covered payroll	26.09 %	19.08 %	17.54 %	14.43 %	10.23 %	7.34 %	4.63 %
Police and Firemen's Retirement System							
Contractually required contribution	\$ 1,925,985	1,491,764	1,248,845	1,069,699	805,419	545,161	268,537
Contributions in relation to the contractually required contribution	1,925,985	1,491,764	1,248,845	1,069,699	805,419	545,161	268,537
Contribution deficiency (excess)	\$ —	—	—	—	—	—	—
University employee covered-payroll	\$ 2,259,186	2,214,424	1,974,471	1,901,881	1,960,579	1,918,325	2,066,181
Contributions as a percentage of employee covered payroll	85.25 %	67.37 %	63.25 %	56.24 %	41.08 %	28.42 %	13.00 %

Information provided for Required Supplementary Information will be provided for ten (10) years, as the information becomes available in subsequent years.

See accompanying independent auditors' report.

ROWAN UNIVERSITY
(A Component Unit of the State of New Jersey)
Required Supplementary Information (Unaudited)
Schedules of Proportionate Share of the Net Pension Liability
June 30, 2021

	2021	2020	2019	2018	2017	2016	2015
Public Employees' Retirement System							
University proportion of the net pension liability – state group	1.138 %	1.181 %	1.157 %	1.152 %	1.147 %	1.058 %	1.184 %
University proportion of the net pension liability – total plan	0.654	0.661	0.632	0.604	0.571	0.544	0.613
University proportionate share of the net pension liability	\$ 252,952,884	271,842,274	274,241,746	295,481,815	337,030,671	251,080,946	238,238,870
University employee covered-payroll	53,894,207	53,123,772	50,762,197	52,135,711	50,275,748	51,495,300	50,121,737
University proportionate share of the net pension liability as a percentage of the employee covered-payroll	469.4 %	511.7 %	540.2 %	566.8 %	670.4 %	487.6 %	475.3 %
Plan fiduciary net position as a percentage of the total pension liability	42.90 %	42.04 %	40.45 %	36.78 %	31.20 %	38.21 %	42.74 %
Police and Firemen's Retirement System							
University proportion of the net pension liability – state group	0.393 %	0.388 %	0.412 %	0.412 %	0.395 %	0.379 %	0.406 %
University proportion of the net pension liability – total plan	0.088	0.089	0.091	0.084	0.073	0.073	0.083
University proportionate share of the net pension liability	\$ 16,879,196	16,288,499	17,849,912	18,121,876	18,589,182	16,256,503	14,428,274
University employee covered-payroll	2,214,424	1,974,471	1,901,881	1,960,579	1,918,325	2,066,181	1,985,629
University proportionate share of the net pension liability as a percentage of the employee covered-payroll	762.2 %	825.0 %	938.5 %	924.3 %	969.0 %	786.8 %	726.6 %
Plan fiduciary net position as a percentage of the total pension liability	58.78 %	60.20 %	57.91 %	54.52 %	48.55 %	52.84 %	58.86 %
Teachers' Pension and Annuity Fund							
University proportion of the net pension liability	0.002 %	0.002 %	0.002 %	0.002 %	0.002 %	0.010 %	0.012 %
University proportionate share of the net pension liability	\$ —	—	—	—	—	—	—
State's proportionate share of the net pension liability associated with the University	1,313,388	1,205,870	1,310,288	1,479,732	1,744,239	6,423,696	6,406,231
Total net pension liability	\$ 1,313,388	1,205,870	1,310,288	1,479,732	1,744,239	6,423,696	6,406,231
University employee covered-payroll	\$ —	—	—	—	—	7,656	7,656
University proportionate share of the net pension liability as a percentage of the employee covered-payroll	— %	— %	— %	— %	— %	— %	— %
Plan fiduciary net position as a percentage of the total pension liability	24.60 %	26.95 %	26.49 %	25.41 %	22.33 %	28.71 %	33.64 %

Information provided for Required Supplementary Information will be provided for ten (10) years, as the information becomes available in subsequent years.

Notes to Required Supplementary Information

Changes in benefit terms – There were no significant changes in benefits for any of the actuarial valuations used to determine required contributions.

Changes in assumptions – The significant changes in assumptions and the annual change in the discount rate and the change in the long-term rate of return as follows:

PERS

For 2020, the discount rate changed to 7.00% from 6.28% and the long-term rate of return remained at 7.00%.

For 2019, the mortality rates changed from RP-2006 tables to Pub-2010 tables. The discount rate changed to 6.28% from 5.66% and the long-term rate of return remained at 7.00%.

For 2018, the discount rate changed to 5.66% and the long-term rate of return remained at 7.00%.

For 2017, the discount rate changed to 5.00% and the long-term rate of return changed to 7.00%.

For 2016, the discount rate changed to 3.98% and the long-term rate of return changed to 7.65% from 7.90%.

For 2015, the discount rate changed to 4.90% from 5.39%.

PFRS

For 2020, the discount rate changed to 7.00% from 6.85% and the long-term rate of return remained at 7.00%.

For 2019, the mortality rates changed from RP-2000 tables to Pub-2010 tables. The discount rate changed to 6.85% from 6.51% and the long-term rate of return remained at 7.00%.

For 2018, the discount rate changed to 6.51% and the long-term rate of return remained at 7.00%.

For 2017, the discount rate changed to 6.14% and the long-term rate of return changed to 7.00%.

For 2016, the discount rate changed to 5.55% and the long-term rate of return changed to 7.65% from 7.90%.

For 2015, the discount rate changed to 5.79% from 6.32%.

See accompanying independent auditors' report.

ROWAN UNIVERSITY
(A Component Unit of the State of New Jersey)
Required Supplementary Information (Unaudited)
Schedule of Proportionate Share of the Total OPEB Liability
June 30, 2021

	2021	2020	2019	2018
University proportion of the collective total OPEB liability	— %	— %	— %	— %
University proportionate share of the collective total OPEB liability	\$ —	—	—	—
State's proportionate share of the total OPEB liability associated with the University	568,312,787	382,327,565	486,974,034	554,246,968
Total OPEB liability	<u>\$ 568,312,787</u>	<u>382,327,565</u>	<u>486,974,034</u>	<u>554,246,968</u>
University covered-employee payroll	\$ 195,126,018	210,927,281	196,319,174	172,658,885
University proportionate share of the total OPEB liability as a percentage of covered-employee payroll	— %	— %	— %	— %

Information provided for Required Supplementary Information will be provided for ten (10) years, as the information becomes available in subsequent years.

Notes to the Schedule: For the State Health Benefit State Retired Employees Plan, there are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, Accounting and Financial Reporting for Other Postemployment Benefits Other Than Pensions.

Changes in assumptions – There were no significant changes in assumptions except for the annual change in the discount rate.

For 2021, the discount rate changed to 2.21% from 3.50%. The mortality tables utilized Pub-2010 and Scale MP-2020.

For 2020, the discount rate changed to 3.50% from 3.87%. The mortality tables utilized changed from RP-2006 in 2018 to Pub-2010 in 2019.

For 2019, the discount rate changed to 3.87% from 3.58%

See accompanying independent auditors' report.