



ROWAN UNIVERSITY FOUNDATION
(A Component Unit of Rowan University)

Basic Financial Statements and
Management's Discussion and Analysis

June 30, 2022 and 2021

(With Independent Auditors' Report Thereon)

ROWAN UNIVERSITY FOUNDATION
(A Component Unit of Rowan University)

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

Independent Auditors' Report

The Board of Directors
Rowan University Foundation:

Opinion

We have audited the financial statements of the Rowan University Foundation (the Foundation), a component unit of Rowan University, as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements for the years then ended as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2022 and 2021, and the changes in its financial position and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.



In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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 audits 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
December 9, 2022

Introduction

This section of Rowan University Foundation's (the Foundation) financial statements presents our discussion and analysis of the Foundation's financial performance during the fiscal years that ended on June 30, 2022 and 2021, and comparative amounts for the year ended June 30, 2020. Since this discussion and analysis is designed to focus on current activities, it should be read in conjunction with the Foundation's basic financial statements, which follow this section.

Basic Financial Statements

The Foundation'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 generated accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB). These statements present the Foundation's operations and focus on its assets, liabilities, deferred outflows and inflows of resources, revenues, expenses, and cash flows on an entity-wide basis. The basic financial statements also include notes to the financial statements.

On August 14, 2014, the Foundation, as sole member, formed the Rowan Innovation Venture Fund (the Fund) as a legally separate limited liability corporation. The primary purpose of the fund is to establish, develop, own, manage, operate and administer a seed and early stage venture capital fund to support and leverage the innovation talents and ideas of the members of the Rowan University (the University) community and to accelerate the impact of the University on the economic development of Southern New Jersey.

On May 30, 2018, the Rowan University Alumni Association (the Association) ceased operations and was integrated with the Foundation. The integration resulted in the elimination of the Foundation's deposit liability associated with the net assets previously held in custody for the Association, increasing the total net position of the Foundation by \$1,555,843 as of the date of integration.

On May 22, 2019, the Foundation formally designated certain unrestricted invested funds as quasi-endowments to advance the sustainability of the Foundation's support of Rowan University's educational mission. These funds amounted to \$3,168,442 as of June 30, 2019.

Statement of Net Position

The statement of net position presents the assets, liabilities, deferred inflows of resources, and net position of the Foundation as of the end of the fiscal year. The statement of net position is a point of time financial statement. The purpose of the statements of net position is to present to the readers of the financial statements a fiscal snapshot of the Foundation.

Net position is one indicator of the current financial condition of the Foundation 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 Foundation. They are also able to determine how much the Foundation owes vendors, investors, and lending institutions. Finally, the statement of net position provides a picture of the net position (assets minus liabilities minus deferred inflows of resources) and their availability for expenditure by the Foundation.

Net position of the Foundation is divided into three major categories. The first category is restricted net position, which is divided into two categories, nonexpendable and expendable. The corpus of restricted nonexpendable net position is only available for investment purposes. Restricted expendable net position is available for expenditure by the Foundation 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 Foundation for any lawful purpose of the Foundation.

A condensed summary of the Foundation's assets, liabilities, deferred inflows of resources and net position as of June 30, 2022, 2021 and 2020 is as follows:

Condensed Statements of Net Position			
	2022	2021	2020
Current assets	\$ 17,083,422	14,742,916	10,872,469
Noncurrent assets	333,118,483	325,065,761	229,878,642
Total assets	350,201,905	339,808,677	240,751,111
Current liabilities	584,745	685,761	2,439,991
Noncurrent liabilities	192,907	203,287	213,869
Total liabilities	777,652	889,048	2,653,860
Deferred inflows of resources	78,986	153,356	92,933
Total deferred inflows of resources	78,986	153,356	92,933
Net position:			
Restricted nonexpendable	221,180,190	184,286,100	159,381,507
Restricted expendable for:			
Scholarships	18,201,318	20,185,182	11,348,161
Other	32,452,284	43,299,494	20,246,938
Unrestricted	77,511,475	90,995,497	47,027,712
Total net position	\$ 349,345,267	338,766,273	238,004,318

Current assets consist of cash and cash equivalents, the current portion of contributions receivable and other assets. Noncurrent assets consist of investments and noncurrent contributions receivable. Current liabilities consist of accounts payable and accrued expenses, amounts due to Rowan University, unearned revenue and the current portion of annuities payable. Noncurrent liabilities consist of the noncurrent portion of annuities payable.

Fiscal Year 2022 Compared to Fiscal Year 2021

The increase in total assets of \$10,393,228 is primarily attributed to an increase in cash and cash equivalents of \$2,212,855, and an increase in investment at fair value of \$8,443,904 primarily due to additional endowments.

The decrease in total liabilities of \$111,396 is primarily attributed a decrease in deferred revenue of \$161,800, offset by an increase in the amount due to Rowan University of \$49,473 associated with timing of payments on scholarships and transfers from the Foundation to University.

Deferred inflows of resources decreased \$74,370 due to market fluctuations on annuity investments.

The total net position increased \$10,578,994. Nonexpendable net position increased \$36,894,090. Expendable restricted net position decreased \$12,831,074. Unrestricted net position decreased \$13,484,022 during the period.

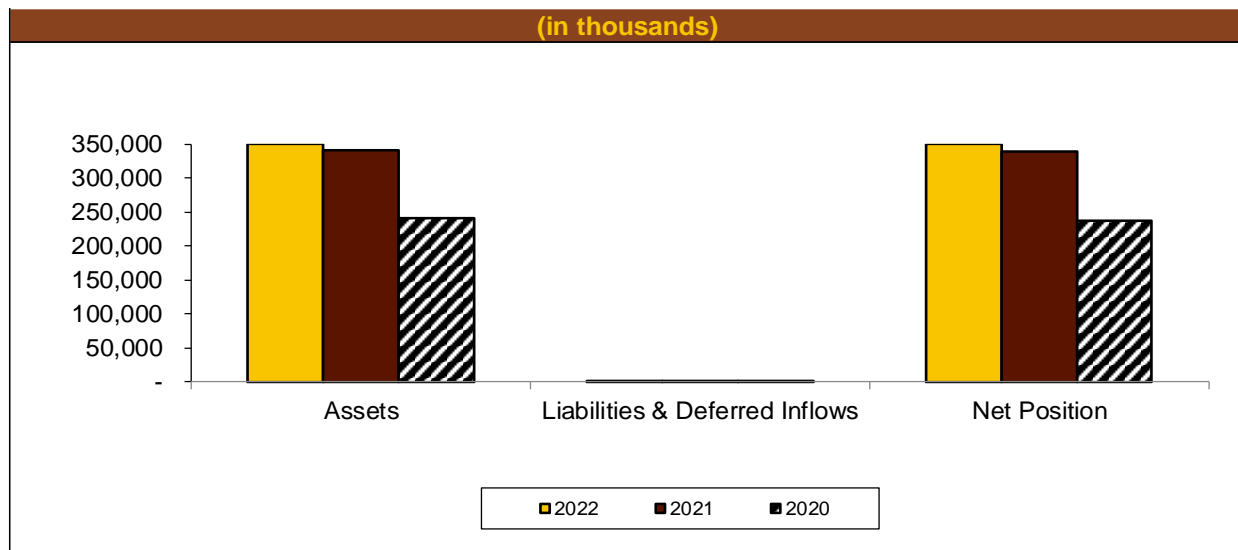
Fiscal Year 2021 Compared to Fiscal Year 2020

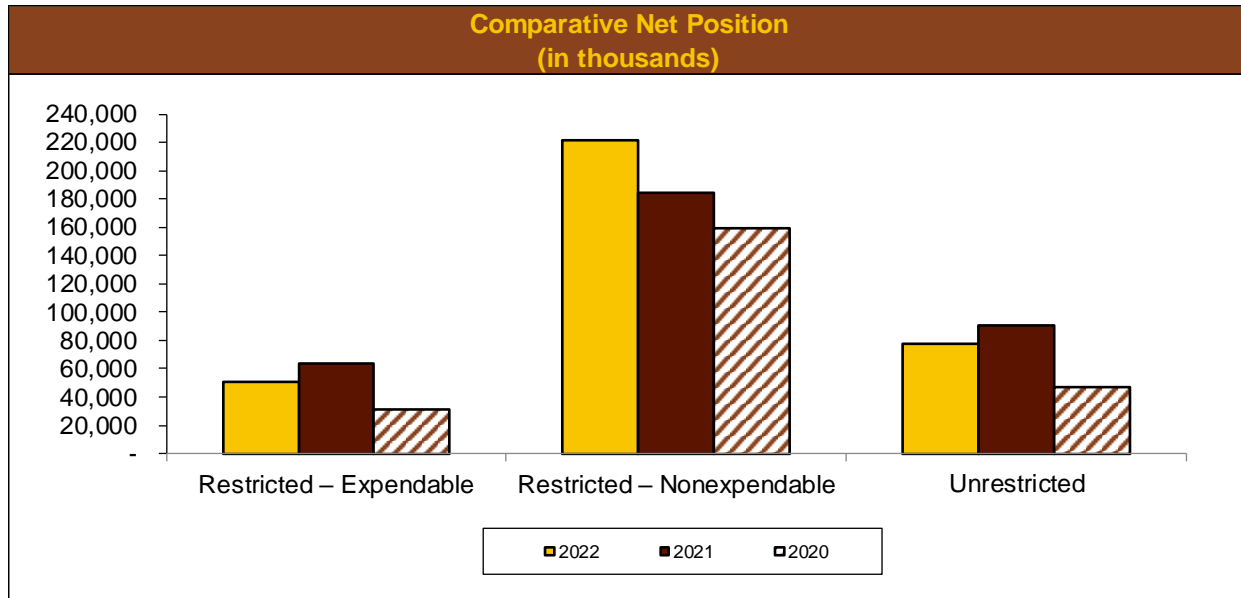
The increase in total assets of \$99,057,566 is primarily attributed to an increase in cash and cash equivalents of \$4,017,349, and an increase in investment at fair value of \$95,254,751 due to market performance.

The decrease in total liabilities of \$1,764,812 is primarily attributed to a decrease in the amount due to Rowan University of \$1,911,320 associated with timing of payments on scholarship and transfers from the Foundation to University. In addition, deferred revenue increased \$146,800, and accounts payable and accrued expenses increased \$10,290 due to timing of payments to vendors.

Deferred inflows of resources increased \$60,423 due to market fluctuations on annuity investments.

The total net position increased \$100,761,955. Nonexpendable net position increased \$24,904,593. Expendable restricted net position increased \$31,889,577. Unrestricted net position increased \$43,967,785 during the period.





Statement of Revenues, Expenses, and Changes in Net Position

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 Foundation, both operating and nonoperating, and the expenses paid by the Foundation, operating and nonoperating, and any other revenues, expenses, gains, and losses received or spent by the Foundation.

Generally speaking, operating revenues are received from expendable contributions to the Foundation. Operating expenses are those expenses paid to carry out the mission of the Foundation. Nonoperating revenues are revenues received for investment income.

The statement of revenues, expenses, and changes in net position present the Foundation's results of operations. A condensed summary of the Foundation's revenues, expenses, and changes in net position for the years ended June 30, 2022, 2021 and 2020 is as follows:

Condensed Statements of Revenues, Expenses, and Changes in Net Position			
	2022	2021	2020
Operating revenues:			
Contributions	\$ 6,615,257	6,292,831	8,000,375
Fundraising events	185,397	136,341	84,694
Other revenue	108,402	72,781	94,895
Total operating revenues	6,909,056	6,501,953	8,179,964
Operating expenses:			
Materials and supplies	195	1,366	5,288
Professional and other services	201,800	176,067	178,438
Other	112,732	27,753	161,372
Grants and scholarships	16,754,777	14,609,203	13,623,575
Total operating expenses	17,069,504	14,814,389	13,968,673
Operating loss	(10,160,448)	(8,312,436)	(5,788,709)
Nonoperating revenues, gains, and losses:			
Investment (loss) income, net	(14,339,560)	84,236,864	(1,510,149)
Net nonoperating revenues, gains, and losses	(14,339,560)	84,236,864	(1,510,149)
(Loss) income before additions	(24,500,008)	75,924,428	(7,298,858)
Additions to permanent endowments	35,079,002	24,837,527	8,208,196
Increase in net position	10,578,994	100,761,955	909,338
Net position as of beginning of year	338,766,273	238,004,318	237,094,980
Net position as of end of year	\$ 349,345,267	338,766,273	238,004,318

Fiscal Year 2022 Compared to Fiscal Year 2021

Operating revenues increased \$407,103 due primarily to an increase in contributions of \$322,426. Operating expenses increased \$2,255,115. Within operating expenses, grants and scholarships increased \$2,145,574, materials and supplies decreased \$1,171, professional and other services increased \$25,733, other operating expenditures increased \$84,979.

Net nonoperating revenues, gains, and losses decreased \$98,576,424. This decrease is attributed to a decrease in investment income due primarily to market fluctuation.

Permanent endowment contributions for 2022 were \$35,079,002, a \$10,241,475 increase from the year ended June 30, 2021. The Foundation received the following large contributions during 2022: \$25,000,000 for the Virtua Health College of Medicine & Health Sciences of Rowan University Restricted Endowment Fund, \$4,220,000 for the Menon and Grand Scholarship Fund for the College of Science and Mathematics Endowment, and \$1,000,000 for the Henry M. Rowan College of Engineering Endowment.

Fiscal Year 2021 Compared to Fiscal Year 2020

Operating revenues decreased \$1,678,011 due primarily to a decrease in contributions of \$1,707,544. Operating expenses increased \$845,716. Within operating expenses, grants and scholarships increased \$985,628, materials and supplies decreased \$3,922, professional and other services decreased \$2,371, other operating expenditures decreased \$133,619.

Net nonoperating revenues increased \$85,747,013. This increase is attributed to an increase in investment income of \$85,747,013 due primarily to market fluctuation.

Permanent endowment contributions for 2021 were \$24,837,527, a \$16,629,331 increase from the year ended June 30, 2020. The Foundation received the following large contributions during 2021: \$10,838,280 for the Jean & Ric Edelman Fossil Park Endowment, \$9,000,000 for The Ric Edelman College of Communications & Creative Arts Endowment, and \$2,000,000 for the Henry M. Rowan College of Engineering Endowment.

ROWAN UNIVERSITY FOUNDATION
(A Component Unit of Rowan University)

Statements of Net Position

June 30, 2022 and 2021

	2022	2021
Assets		
Current assets:		
Cash and cash equivalents (note 2)	\$ 10,207,894	8,593,411
Restricted cash and cash equivalents (note 2)	6,319,136	5,720,764
Contributions receivable, net (note 3)	11,327	10,018
Restricted contributions receivable, net (note 3)	315,566	158,209
Receivables and other assets	229,499	260,514
Total current assets	17,083,422	14,742,916
Noncurrent assets:		
Investments, at fair value (note 2)	67,774,081	82,955,010
Restricted investments, at fair value (note 2)	41,955,145	55,224,402
Restricted nonexpendable investments, at fair value (note 2)	221,180,190	184,286,100
Contributions receivable, net (note 3)	73,689	93,588
Restricted contributions receivable, net (note 3)	2,135,378	2,506,661
Total noncurrent assets	333,118,483	325,065,761
Total assets	350,201,905	339,808,677
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	97,766	86,455
Due to Rowan University	457,749	408,276
Unearned revenue	—	161,800
Annuities payable (note 5)	29,230	29,230
Total current liabilities	584,745	685,761
Noncurrent liabilities:		
Annuities payable (note 5)	192,907	203,287
Total noncurrent liabilities	192,907	203,287
Total liabilities	777,652	889,048
Deferred Inflow of Resources		
Deferred inflows of resources:		
Split-interest agreements	78,986	153,356
Total deferred inflows of resources	78,986	153,356
Net Position		
Restricted (note 4):		
Nonexpendable (note 6)	221,180,190	184,286,100
Expendable:		
Scholarships	18,201,318	20,185,182
Other	32,452,284	43,299,494
Unrestricted (note 7)	77,511,475	90,995,497
Total net position	\$ 349,345,267	338,766,273

See accompanying notes to the financial statements.

ROWAN UNIVERSITY FOUNDATION
(A Component Unit of Rowan University)

Statements of Revenues, Expenses, and Changes in Net Position

Years ended June 30, 2022 and 2021

	2022	2021
Operating revenues:		
Contributions	\$ 6,615,257	6,292,831
Fundraising events	185,397	136,341
Other revenue	108,402	72,781
Total operating revenues	6,909,056	6,501,953
Operating expenses:		
Materials and supplies	195	1,366
Professional and other services	201,800	176,067
Other	112,732	27,753
Grants and scholarships:		
Grants to Rowan University (note 4)	13,844,804	11,808,167
Student scholarships	2,906,009	2,795,990
Other grants	3,964	5,046
Total operating expenses	17,069,504	14,814,389
Operating loss	(10,160,448)	(8,312,436)
Nonoperating revenues, gains, and losses:		
Investment (loss) income, net of investment expenses	(14,339,560)	84,236,864
Net nonoperating revenues, gains, and losses	(14,339,560)	84,236,864
(Loss) income before additions to permanent endowments	(24,500,008)	75,924,428
Additions to permanent endowments	35,079,002	24,837,527
Increase in net position	10,578,994	100,761,955
Net position as of beginning of year	338,766,273	238,004,318
Net position as of end of year	\$ 349,345,267	338,766,273

See accompanying notes to the financial statements.

ROWAN UNIVERSITY FOUNDATION
(A Component Unit of Rowan University)

Statements of Cash Flows

Years ended June 30, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Payments to suppliers	\$ (297,341)	(244,211)
Payments for grants and scholarships	(16,705,304)	(16,520,523)
Contributions	6,710,913	6,704,056
Fundraising events	185,397	136,341
Other revenue	108,402	72,205
Net cash used by operating activities	(9,997,933)	(9,852,132)
Cash flows from noncapital financing activities:		
Contributions to permanent endowments	35,079,002	24,837,527
Payments to annuitants	(29,230)	(29,230)
Net cash provided by noncapital financing activities	35,049,772	24,808,297
Cash flows from investing activities:		
Investment income	10,715,707	5,080,008
Purchases of investments	(54,113,865)	(40,618,331)
Sales of investments	20,559,176	24,599,507
Net cash used by investing activities	(22,838,982)	(10,938,816)
Net increase in cash and cash equivalents	2,212,855	4,017,349
Cash and cash equivalents as of beginning of the year	14,314,175	10,296,826
Cash and cash equivalents as of end of the year	\$ 16,527,030	14,314,175
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (10,160,448)	(8,312,436)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Changes in assets and liabilities and deferred inflows of resources:		
Contributions and other receivables and other assets:	263,531	214,535
Accounts payable and accrued expenses	11,311	10,289
Due to Rowan University	49,473	(1,911,320)
Unearned revenue	(161,800)	146,800
Net cash used by operating activities	\$ (9,997,933)	(9,852,132)
Noncash transactions:		
(Decrease) increase in deferred inflows of resources	\$ (74,370)	60,423
(Decrease) increase in fair value of investments	(25,102,571)	79,243,912

See accompanying notes to the financial statements.

(1) Organization and Summary of Significant Accounting Policies

(a) Organization

Rowan University Foundation (the Foundation) was created to assist the Board of Trustees and the President of Rowan University (the University) in their efforts to achieve and advance the mission of the University. The Foundation's board of directors is appointed by the Board of Trustees of the University. The primary purpose of the Foundation is to raise money and obtain gifts-in-kind and to channel those monies and gifts to the University in meeting its educational mission. Although the University does not control the timing or amount of receipts from the Foundation, the resources the Foundation holds are invested and used exclusively for the benefit, support, and promotion of the University and its students for educational activities. The Foundation is considered a component unit of the University and is discretely presented in the University's financial statements. The University provides accounting, accounts payable and payroll services for the Foundation. The Foundation 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.

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).

(b) Summary of Significant Accounting Policies

(i) Basis of Presentation

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

The Foundation classifies net position into the following:

- Restricted:

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

Expendable – Net position whose use by the Foundation is subject to externally imposed stipulations that can be fulfilled by actions of the Foundation 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 board of directors.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the Foundation's policy is to 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 Foundation 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*.

(iii) *Revenue Recognition*

Contributions, including pledges other than endowment, are recognized when all eligibility requirements for recognition are met, which generally is the period the amount is donated to the Foundation. Additions to permanent endowment are recognized upon receipt. Investment and other income is recognized in the period earned. Unconditional promises to give which are to be received in future years are reflected at the estimated present value by discounting the contribution.

(iv) *Classification of Revenue*

The Foundation's policy for defining operating activities in the statements of revenues, expenses, and changes in net position are those that serve the Foundation's principal purpose and generally result from contributions to the Foundation and grants made to the University. Nonoperating revenues include activities that have the characteristics of nonexchange transactions, investment income and adjustments of annuities payable. Other revenues include activities such as additions to permanent endowments.

(v) *Cash and Cash Equivalents*

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

The Foundation invests portions of its cash with two custodians and two banks. Both are interest-bearing accounts from which the funds are available upon demand.

(vi) *Investments*

Investments are stated 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.

(vii) *Annuities Payable*

Annuities payable are created when assets are contributed to the Foundation on condition that the Foundation obligates itself to pay stipulated amounts periodically to designated annuitants. Annuities payable are recorded at the present value of the expected future cash payments to the annuitants.



(viii) *Use of Estimates*

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

(ix) *Risks and Uncertainties*

The Foundation maintains a diverse investment portfolio, as detailed in note 2. Alternative investments include interests in real estate, limited partnerships and other domestic and international investment funds. These instruments may contain elements of both credit and market risk. Such risks include, but are not limited to, limited liquidity, absence of regulatory oversight, dependence on key individuals and nondisclosure of portfolio composition. The Foundation reviews the performance and risks associated with these investments on at least a monthly basis. In addition, the Foundation utilizes the services of an investment consultant who continually monitors the individual investment fund performance, any changes in management at the investment fund or any other significant matters affecting the fund and advises the Foundation of any such changes.

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

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

As of June 30, 2022 and 2021, the Foundation's cash, cash equivalents and investments, at fair value, are reported on the statements of net position as follows:

		2022	2021
Cash and cash equivalents	\$	10,207,894	8,593,411
Restricted cash and cash equivalents		6,319,136	5,720,764
Total cash and cash equivalents	\$	16,527,030	14,314,175
Unrestricted investments	\$	67,774,081	82,955,010
Restricted investments		41,955,145	55,224,402
Restricted nonexpendable investments		221,180,190	184,286,100
Total investments	\$	330,909,416	322,465,512



Notes to the Financial Statements as of and for the Years Ended June 30, 2022 and 2021

Cash, cash equivalents, restricted nonexpendable investments and investments consist of the following as of June 30, 2022 and 2021:

	2022	2021
Cash and cash equivalents:		
Cash	\$ 6,994,560	7,533,083
Money market funds	9,532,470	6,781,092
	<u>\$ 16,527,030</u>	<u>14,314,175</u>

	2022	2021
Investments:		
Bond mutual funds (domestic)	\$ 35,660,291	40,760,711
Common stock mutual funds (domestic)	81,394,113	101,305,330
Common stock mutual funds (international)	37,506,032	48,578,577
Privately held common stock	108,082	108,082
Venture capital investments	5,609,949	3,494,006
Alternative investments	170,630,949	128,218,806
	<u>\$ 330,909,416</u>	<u>322,465,512</u>

For the years ended June 30, 2022 and 2021, the decrease in fair value on investments was \$25,102,571 and an increase of \$79,243,912, respectively and the net realized gain on investments for June 30, 2022 and 2021 was \$11,178,724 and \$4,390,774, 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 \$16,460,159 and \$14,267,692, as of June 30, 2022 and 2021, respectively. Of these amounts, \$477,412 and \$276,835, was FDIC insured as of June 30, 2022 and 2021, respectively, leaving uninsured and uncollateralized balances of \$15,982,747 and \$13,990,857, respectively.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The credit risk of a debt instrument is measured by nationally recognized statistical rating agencies such as Standard and Poor's (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, 2022 and 2021, 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, 2022 and 2021 are as follows:

2022		Average effective duration
Investment type	Fair value	
Bond mutual funds (domestic)	\$ 12,736,077	6.59 years
Bond mutual funds (domestic)	7,379,397	6.47 years
Bond mutual funds (domestic)	3,966,671	6.64 years
Bond mutual funds (domestic)	11,472,392	2.50 years
Bond mutual funds (domestic)	105,754	6.43 years
Total	\$ 35,660,291	

2021		Average effective duration
Investment type	Fair value	
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	

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.
- Privately held common stock – The fair value is based off the reported aggregate enterprise value, which is provided by the investment managers in the form of their annual independent valuation review.
- 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.

Notes to the Financial Statements as of and for the Years Ended June 30, 2022 and 2021

The Foundation's financial instruments at June 30, 2022 are summarized in the following table by their fair value hierarchy:

	Total	Level 1	Level 2	Level 3
Investments measured at fair value:				
Bond mutual funds (domestic) \$	35,660,291	35,660,291	—	—
Common stock mutual funds (domestic)	81,394,113	81,394,113	—	—
Common stock mutual funds (international)	37,506,032	37,506,032	—	—
Privately held common stock	108,082	—	—	108,082
Venture capital investments	5,609,949	—	—	5,609,949
Subtotal	160,278,467	\$ 154,560,436	—	5,718,031
Investments measured at net asset value:				
Absolute return	51,826,080			
Private equity	102,291,138			
Realty investments	16,513,731			
Subtotal	170,630,949			
Total cash equivalents and investments \$	330,909,416			

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

Investments Measured at NAV

The following table represents the unfunded commitments and redemption terms by investment type as of June 30, 2022:

	Fair value	Unfunded commitments	Redemption frequency (if currently eligible)	Redemption notice period
Absolute return ^(a)	\$ 51,826,080	6,000,000	Quarterly	65–100 days
Private equity ^(b)	102,291,138	45,350,000	Illiquid	Not applicable
Realty investments ^(c)	16,513,731	3,350,000	Illiquid	Not applicable
	<u>\$ 170,630,949</u>			

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

	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
	<u>\$ 128,218,806</u>			

- (a) Absolute return included 6 and 5 hedge funds as of June 30, 2022 and 2021, respectively. 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 0.1% of the overall total, continues to be liquidated and should be fully redeemed by June 2023. The remaining investments are redeemable as disclosed above.
- (b) Private equity includes 30 and 23 funds as of June 30, 2022 and 2021, 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 9 and 8 funds as of June 30, 2022 and 2021, respectively. 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.

(3) Contributions Receivable

Contributions receivable as of June 30, 2022 and 2021 are expected to be collected as follows:

		2022	2021
Year ending June 30:			
Less than one year	\$	426,811	241,482
One to five years		2,389,586	2,709,044
More than five years		10,000	102,290
		2,826,397	3,052,816
Less present value discount at 0.6%–5.6%		(74,252)	(74,229)
Less allowance for doubtful accounts		(216,185)	(210,111)
	\$	<u>2,535,960</u>	<u>2,768,476</u>

(4) Donor Restricted Endowment

The Foundation manages, invests and administers the donor restricted endowment funds in accordance with the Uniform Prudent Management of Institutional Funds Act. Endowment investments are subject to the restriction of gift instruments requiring that the principal be invested in perpetuity and the income be utilized in accordance with the terms of each specific gift. It is the Foundation's policy to account for endowment appreciation in accordance with donor specification.

Each February, the Foundation's board of directors approves an unrestricted annual appropriation from the Rowan Endowment to the University based upon the current spending policy. Currently, the spending policy is 4.5% of a twelve quarter rolling market value. The Foundation also contributes other restricted funds to the University. For the years ended June 30, 2022 and 2021, such contributions were \$13,844,804 and \$11,808,167, respectively.

The fair value of the Foundation's donor restricted endowment assets as of June 30, 2022 and 2021 were \$328,065,994 and \$313,571,606, respectively. This value represents accumulated appreciation in the amount of \$106,643,039 and \$129,285,506, respectively. This appreciation is reflected in the unrestricted and restricted expendable net position balances in the amounts of \$69,968,532 and \$36,674,507, respectively in 2022 and \$82,642,560 and \$46,642,946, respectively in 2021.

(5) Noncurrent Liabilities

Noncurrent liabilities activity for the years ended June 30, 2022 and 2021 was as follows:

		Beginning balance	Additions	Reductions	2022 Ending balance	Current portion	Noncurrent portion
Annuities payable	\$	232,517	18,850	29,230	222,137	29,230	192,907
	\$	<u>232,517</u>	<u>18,850</u>	<u>29,230</u>	<u>222,137</u>	<u>29,230</u>	<u>192,907</u>

		Beginning balance	2021 Additions	2021 Reductions	2021 Ending balance	Current portion	Noncurrent portion
Annuities payable	\$	243,099	18,648	29,230	232,517	29,230	203,287
	\$	243,099	18,648	29,230	232,517	29,230	203,287

(6) Restricted Nonexpendable Net Position

Restricted nonexpendable net position as of June 30, 2022 and 2021 consists of the following:

	2022	2021
Henry and Betty Rowan for general operations	\$ 97,000,118	97,000,118
Vitua Health College of Medicine & Health Sciences Endowment	25,000,000	—
Henry M. Rowan College of Engineering Endowment	20,000,000	19,000,000
Jean & Ric Edelman Fossil Park Endowment	19,354,204	19,354,204
The Ric Edelman College of Communication & Creative Arts Endowment	9,500,000	9,500,000
Menon and Grant Scholarship Fund for College of Science and Mathematics	5,921,947	—
Rohrer College of Business	5,097,255	4,597,255
The Shreiber Family Pet Therapy Program	3,000,020	3,000,000
Rowan SOM Endowed Scholarship	1,750,000	1,000,000
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	1,403,597
John B. Campbell Professorial Chair	1,176,282	1,176,282
Rona Stern Staut Res. Professorship	1,147,486	1,147,486
Rohrer Scholars for scholarships	1,080,932	1,080,932
Lawrence & Rita Salva Medical School	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
Inspira Health Network Endowed Fund	1,000,000	1,000,000
Rohrer College of Business Honors	1,000,000	—
Endowed Chair for Geriatrics	1,000,000	1,000,000
CMSRU Student Loan Assistance Program	1,000,000	1,000,000
The John H. Martinson Honors College	1,000,000	—
Other endowment funds	20,106,453	18,384,330
	<u>\$ 221,180,190</u>	<u>184,286,100</u>

(7) Designation of Unrestricted Net Position

Designated unrestricted net position as of June 30, 2022 and 2021 consists of \$4,078,424 and \$4,269,910 of board designated quasi-endowment funds.

(8) Subsequent Events

The Foundation evaluated events subsequent to June 30, 2022 and through December 9, 2022, the date of which the financial statements were issued. The Foundation determined that there were no subsequent events to disclose.