



ROWAN GLOBAL, INC.
(A Component Unit of Rowan University)

Basic Financial Statements and
Management's Discussion and Analysis

June 30, 2023 and 2022

(With Independent Auditors' Report Thereon)

ROWAN GLOBAL INC.
(A Component Unit of Rowan University)

Table of Contents

	Page
Independent Auditors' Report	1
Management's Discussion and Analysis (Unaudited)	3
Basic Financial Statements:	
Statements of Net Position as of June 30, 2023 and 2022	8
Statements of Revenues, Expenses, and Changes in Net Position for the year ended June 30, 2023 and period ended June 30, 2022	9
Statements of Cash Flows for the year ended June 30, 2023 and period ended June 30, 2022	10
Notes to the Financial Statements	11



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Independent Auditors' Report

The Board of Directors
Rowan Global, Inc.

Opinion

We have audited the financial statements of the Rowan Global, Inc. (RGI), a component unit of Rowan University, as of and for the year ended June 30, 2023 and as of and for the period ended June 30, 2022, and the related notes to the financial statements, which collectively comprise RGI's basic financial statements for the year and period then ended, respectively, 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 RGI as of June 30, 2023 and 2022, and the changes in its financial position and its cash flows for the year and period then ended, respectively, 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 RGI 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 RGI'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 RGI'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 RGI'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 15, 2023

Management's Discussion and Analysis (Unaudited)

Introduction

This section of Rowan Global Inc.'s (RGI) financial statements presents our discussion and analysis of RGI's financial performance as of and for the fiscal year ended June 30, 2023 and period ended June 30, 2022. Since this discussion and analysis is designed to focus on current activities, it should be read in conjunction with RGI's basic financial statements, which follow this section.

Basic Financial Statements

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

Statements of Net Position

The statements of net position present the assets, liabilities, and net position of RGI as of the end of the fiscal year. The statements of net position is a point in 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 RGI. The statements of net position present end-of-the-year data concerning assets (current and noncurrent), liabilities (current and noncurrent), and net position (assets minus liabilities).

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

From the data presented, readers of the statements of net position are able to determine the assets available to continue the operations of RGI. They are also able to determine how much RGI owes vendors, investors and lending institutions. Finally, the statements of net position provide a picture of the net position and its availability for expenditures by RGI.

Net position of RGI is comprised of unrestricted net position. Unrestricted net position is available to RGI for any lawful purpose of RGI.

Management's Discussion and Analysis (Unaudited)

A condensed summary of RGI's assets, liabilities, and net position as of June 30, 2023, and 2022 is as follows:

Condensed Statements of Net Position			
(in thousands)			
		2023	2022
Current assets	\$	3,639	\$ 4,818
Noncurrent assets		461	—
Total assets		4,100	4,818
Current liabilities		586	155
Noncurrent liabilities		4,432	4,888
Total liabilities		5,018	5,043
Net position:			
Unrestricted		(918)	(225)
Total net position	\$	(918)	\$ (225)

Current assets consist of cash and receivables and other assets. Noncurrent assets consist of investment in joint venture. Current liabilities consist of accounts payable and accrued expenses, accrued interest payable, and the current portion of long-term debt. Noncurrent liabilities consist of long-term debt, net of current portion.

Fiscal Year 2023 Compared to Fiscal Year 2022

The decrease of \$1,179 in current assets is primarily attributable to a decrease of \$1,173 in cash predominantly as a result of funding Rowan Education Management Services (REMS), a new corporation wholly owned by RGI. The increase of \$461 in noncurrent assets is attributable to the investment in joint venture made by REMS.

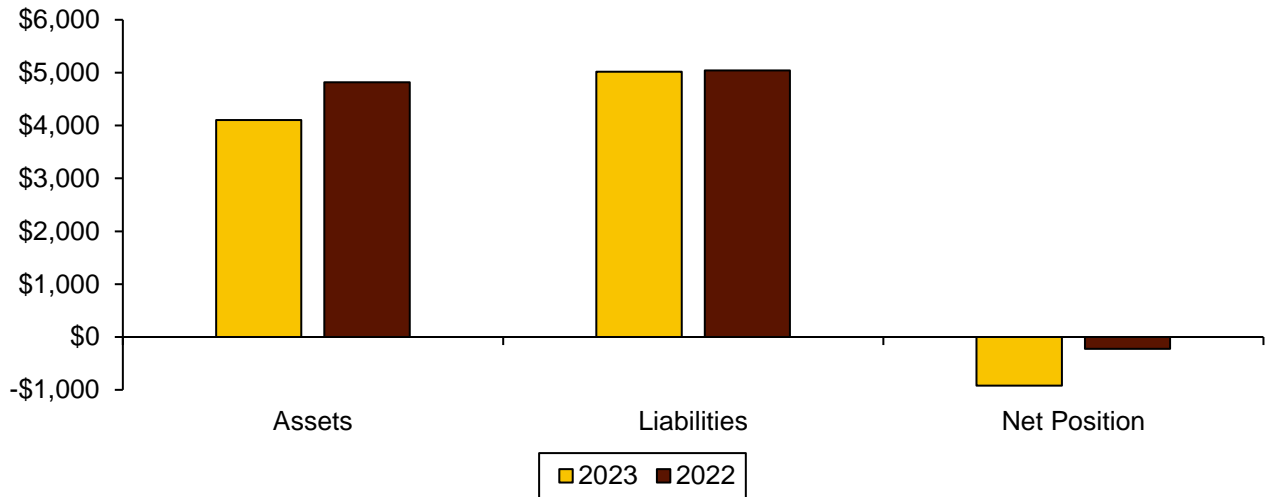
The increase of \$431 in current liabilities is due an increase of \$455 in the current portion of long-term debt offset by a decrease of \$18 in accrued interest payable and a decrease of \$6 in accounts payable and accrued expenses. As a result of RGI and Rowan University entering negotiations related to the debt, the principal payments were deferred until negotiations conclude.

The decrease in noncurrent liabilities is due to the amortization of the promissory loan with Rowan University.

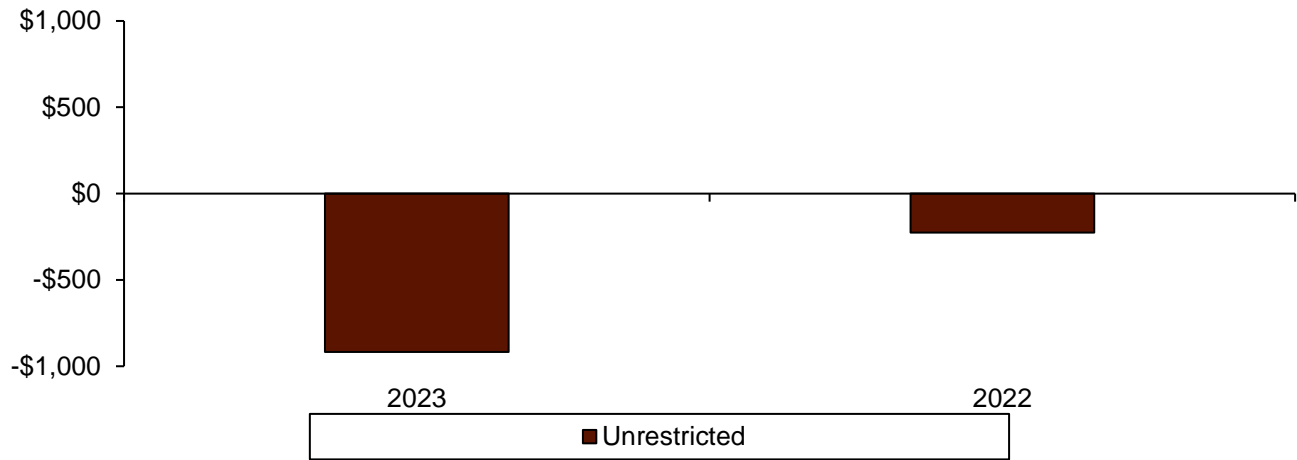
Total net position decreased \$693.

Management's Discussion and Analysis (Unaudited)

Summary Statements of Net Position As of June 30 (in thousands)



Comparative Net Position As of June 30 (in thousands)



Statements of Revenues, Expenses, and Changes in Net Position

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

Generally speaking, operating revenues are recognized for providing goods and services to the various customers and constituents of RGI. Operating expenses are those expenses incurred to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of RGI. Nonoperating revenues and expenses are revenues and expenses recognized for which goods and services are

Management's Discussion and Analysis (Unaudited)

not provided, for example, interest and dividend income, other income and interest expense. The statements of revenues, expenses, and changes in net position present RGI's results of operations.

A summary of RGI's revenues, expenses, and changes in net position for the year ended June 30, 2023 and period ended June 30, 2022 is as follows:

Statements of Revenue, Expenses, and Changes in Net Position		
(in thousands)		
	2023	2022
Operating revenues:	\$ —	\$ —
Total operating revenues	—	—
Operating expenses:		
Materials and supplies	1	1
Professional and other services	140	198
Total operating expenses	141	199
Operating loss	(141)	(199)
Nonoperating revenues (expenses):		
Interest and dividends	94	1
Loss on investment in joint venture	(538)	—
Interest on long-term debt	(108)	(27)
Net nonoperating expenses	(552)	(26)
Decrease in net position	(693)	(225)
Net position as of beginning of year / period	(225)	—
Net position as of end of year / period	\$ (918)	\$ (225)

Management's Discussion and Analysis (Unaudited)

Fiscal Year 2023 Compared to Fiscal Period 2022

The decrease in operating expenses of \$58 is primarily attributable to a decrease in professional and other services.

The increase in nonoperating expenses of \$526 is due to the loss on investment in joint venture of \$538 and an increase in interest expense of \$81, offset by an increase in interest and dividends revenue of \$93.

Debt Activity

As of June 30, 2023 and 2022, RGI had \$5,000,000 in outstanding long-term debt.

There were no significant transactions related to long-term debt that occurred during fiscal year 2023. In fiscal year 2022, RGI entered into a \$5,000,000 promissory loan agreement with Rowan University to be repaid over 11 years at an annual interest rate of 2.157%, to provide initial funding for RGI to begin operations.

Future Outlook

RGI, ultimately through the investment in the joint venture Rowan Educational Services, LLC (RES), is working towards developing connections with various institutions for RES to provide services which will expand the educational reach and capabilities of higher education institutions.

RGI is not anticipating any direct operating revenue in the future as the services will be provided by RES.

ROWAN GLOBAL INC.

(A Component Unit of Rowan University)

Statements of Net Position

June 30, 2023 and 2022

Assets	2023	2022
Current assets:		
Cash (note 2)	\$ 3,639,122	4,812,014
Receivables and other assets	—	5,860
Total current assets	<u>3,639,122</u>	<u>4,817,874</u>
Noncurrent assets:		
Investment in joint venture (note 5)	461,475	—
Total noncurrent assets	<u>461,475</u>	<u>—</u>
Total assets	<u>\$ 4,100,597</u>	<u>4,817,874</u>
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses (note 3)	\$ 9,725	15,448
Accrued interest payable (note 4)	8,988	26,963
Long-term debt – current portion (note 4)	567,684	112,317
Total current liabilities	<u>586,397</u>	<u>154,728</u>
Noncurrent liabilities:		
Long-term debt – net of current portion (note 4)	4,432,316	4,887,683
Total noncurrent liabilities	<u>4,432,316</u>	<u>4,887,683</u>
Total liabilities	<u>5,018,713</u>	<u>5,042,411</u>
Net Position		
Unrestricted	<u>(918,116)</u>	<u>(224,537)</u>
Total net position	<u>\$ (918,116)</u>	<u>(224,537)</u>

See accompanying notes to the financial statements.

ROWAN GLOBAL INC.

(A Component Unit of Rowan University)

Statements of Revenues, Expenses, and Changes in Net Position

Year ended June 30, 2023 and period ended June 30, 2022

	<u>2023</u>	<u>2022</u>
Operating revenues	\$ —	—
Total operating revenues	<u>—</u>	<u>—</u>
Operating expenses:		
Materials and supplies	147	161
Professional and other services	<u>140,890</u>	<u>198,443</u>
Total operating expenses	<u>141,037</u>	<u>198,604</u>
Operating loss	<u>(141,037)</u>	<u>(198,604)</u>
Nonoperating revenues (expenses):		
Interest and dividends	93,631	1,030
Loss on investment in joint venture (note 5)	(538,525)	—
Interest on long-term debt	<u>(107,648)</u>	<u>(26,963)</u>
Total nonoperating expenses, net	<u>(552,542)</u>	<u>(25,933)</u>
Change in net position	(693,579)	(224,537)
Net position as of beginning of year/period	<u>(224,537)</u>	—
Net position as of end of year/period	<u>\$ (918,116)</u>	<u>(224,537)</u>

See accompanying notes to the financial statements.

ROWAN GLOBAL INC.

(A Component Unit of Rowan University)

Statements of Cash Flows

Year ended June 30, 2023 and period ended June 30, 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Payments to suppliers	\$ (140,900)	(189,016)
Cash used for operating activities	<u>(140,900)</u>	<u>(189,016)</u>
Cash flows from noncapital financing activities:		
Proceeds from promissory loan with Rowan University	—	5,000,000
Interest paid on debt	<u>(125,623)</u>	<u>—</u>
Net cash (used for) provided by noncapital financing activities	<u>(125,623)</u>	<u>5,000,000</u>
Cash flows from investing activities:		
Investment in joint venture	(1,000,000)	—
Interest and dividends	<u>93,631</u>	<u>1,030</u>
Net cash (used for) provided by investing activities	<u>(906,369)</u>	<u>1,030</u>
Net (decrease) increase in cash	(1,172,892)	4,812,014
Cash as of beginning of year	<u>4,812,014</u>	<u>—</u>
Cash as of end of year	<u>\$ 3,639,122</u>	<u>4,812,014</u>
Reconciliation of operating loss to cash used for operating activities:		
Operating loss	\$ (141,037)	(198,604)
Adjustments to reconcile operating loss to cash used for operating activities:		
Changes in operating assets and liabilities:		
Receivables and other assets	5,860	(5,860)
Accounts payable and accrued expenses	<u>(5,723)</u>	<u>15,448</u>
Net cash used for operating activities	<u>\$ (140,900)</u>	<u>(189,016)</u>
Noncash transaction:		
Unrealized loss on joint venture investment	\$ (538,525)	—

See accompanying notes to the financial statements.

(1) Organization and Summary of Significant Accounting Policies

(a) Organization

Rowan Global Inc. (RGI) was incorporated in the State of Delaware on July 9, 2021. RGI was established to expand the educational reach and capabilities of accredited higher education institutions. The members of the Board of Directors of RGI are appointed by the Board of Trustees of the University. RGI is a component unit of the University. RGI 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 November 15, 2022, RGI established a new joint venture, Rowan Education Services, LLC (RES). On November 17, 2022, RGI established a new corporation, REMS. Both new entities will support the mission of RGI. The purpose of REMS is to directly enhance the ability of RGI to provide/procure services through its investment in RES.

(b) Summary of Significant Accounting Policies

(i) Basis of Presentation

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

RGI reports its net position in the following category:

- *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.

(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. RGI 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*. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

(iii) New Accounting Standard Adopted

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). RGI has evaluated this new standard and determined that there is no impact.

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). RGI has evaluated this new standard and determined that there is no impact.

(iv) *Classification of Revenue and Expenses*

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

(v) *Accounting Pronouncements Applicable to RGI, Issued but Not Yet Effective*

RGI has evaluated issued pronouncements not yet effective and determined they will not have a material impact. RGI will continue to evaluate all pronouncements as they are issued to determine applicability.

(vi) *Use of Estimates*

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

(2) Deposits

Custodial credit risk associated with RGI's cash includes uninsured and uncollateralized deposits that exceed FDIC insurance coverage limits. RGI's bank deposits as of June 30, 2023 and 2022 were partially insured by Federal Depository Insurance in the amount of \$250,049 and \$250,000 in 2023 and 2022, respectively. RGI's bank deposits as of June 30, 2023 and 2022 were \$3,639,073 and \$4,814,310, respectively, leaving uninsured and uncollateralized balances of \$3,389,024 and \$4,564,310.

(3) Accounts Payable and Accrued Expenses

RGI accounts payable and accrued expenses consisted of amounts due to vendors totaling \$9,725 and \$15,448 for June 30, 2023 and 2022, respectively. Of these amounts, \$8,245 and \$518 were due to Rowan University.

(4) Long-Term Debt

In fiscal year 2022, RGI entered into a \$5,000,000 promissory loan agreement with Rowan University to be repaid over 11 years at an annual interest rate of 2.157%, to provide initial funding for RGI to begin operations. Under the terms of the agreement, in April 2022 interest only payments began and continued for one year with principal paid, beginning in April 2023, over the following ten years of the agreement.

RGI's interest payable was \$8,988 and \$26,963 as of June 30, 2023 and 2022, respectively.

Aggregate principal and interest repayments, using fixed interest rates in effect as of June 30, 2023, required during the next five fiscal years and in five year increments thereafter are as follows as of June 30, 2023:

Long Term Debt Principle and Interest Repayments				
	Interest rate	Principal amount	Interest amount	Total amount
Year ending June 30:				
2024	2.157%	\$ 567,684	100,943	668,627
2025	2.157%	465,286	91,023	556,309
2026	2.157%	475,423	80,887	556,310
2027	2.157%	485,779	70,530	556,309
2028–2032	2.157%	2,592,321	189,227	2,781,548
2033–2034	2.157%	413,507	3,725	417,232
		<u>\$ 5,000,000</u>	<u>536,335</u>	<u>5,536,335</u>

Changes in long-term liabilities for the year ended June 30, 2023 are as follows:

2023					
Long-term Liabilities Rollforward					
	Beginning balance	Additions	Reductions	Ending balance	Due within One Year
Rowan University	\$ 5,000,000	—	—	5,000,000	567,683
Total long-term liabilities	<u>\$ 5,000,000</u>	<u>—</u>	<u>—</u>	<u>5,000,000</u>	<u>567,683</u>

Changes in long-term obligations for the period ended June 30, 2022 are as follows:

2022					
Long-term Liabilities Rollforward					
	Beginning balance	Additions	Reductions	Ending balance	Due within One Year
Rowan University	\$ —	5,000,000	—	5,000,000	112,317
Total long-term liabilities	<u>\$ —</u>	<u>5,000,000</u>	<u>—</u>	<u>5,000,000</u>	<u>112,317</u>

RGI's agreement with the University includes a listing of events of default that could result in finance-related consequences, such as acceleration clauses. RGI entered into negotiations with Rowan University related to the debt. During the negotiation period, Rowan University deferred principal payment requirements. RGI is not in default as of June 30, 2023.

RGI does not have any open lines of credit.

(5) Joint Venture

RGI, through REMS, holds a 50% equity interest in the joint venture RES. The other 50% is held by Cygnus Marketing Communications, Inc. (Cygnus). RGI holds general management control over RES while Cygnus holds general operational control. RGI is subject to a maximum capital contribution of \$5,000,000 of which \$1,000,000 has been contributed and matched by Cygnus through contributed services and software. There is currently no amount due to RGI from RES. During fiscal year 2023, the total loss recorded by RES was \$1,077,050.

(6) Subsequent Events

RGI evaluated events subsequent to June 30, 2023 and through December 15, 2023, the date of which the financial statements were issued. RGI determined that there were no subsequent events to disclose.