



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

Basic Financial Statements

Period from September 28, 2023 (inception) through June 30, 2024

(With Independent Auditors' Report Thereon)

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

Table of Contents

	Page
Independent Auditors' Report	1
Basic Financial Statements:	
Statement of Net Position	3
Statement of Revenues, Expenses, and Changes in Net Position	4
Statement of Cash Flows	5
Notes to the Financial Statements	6



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Independent Auditors' Report

The Board of Directors
Rowan Educational Attractions, Inc.:

Opinion

We have audited the financial statements of Rowan Educational Attractions, Inc. (REA), a component unit of Rowan University, as of June 30, 2024 and for the period from September 28, 2023 (inception) through June 30, 2024, and the related notes to the financial statements, which collectively comprise REA's basic financial statements 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 REA as of June 30, 2024, and the changes in its financial position and its cash flows for the period from September 28, 2023 (inception) through June 30, 2024 in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audit 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 REA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 REA'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 REA'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

Management has omitted management's discussion and analysis that U.S. generally accepted accounting principles require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

KPMG LLP

Short Hills, New Jersey
November 26, 2024

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

Statement of Net Position

June 30, 2024

Assets

Current assets:	
Cash and cash equivalents (note 2)	\$ 675,054
Due from Rowan University (note 6)	1,716,343
Receivables and other assets	<u>76,903</u>
Total current assets	<u>2,468,300</u>
Noncurrent assets:	
Capital assets, net (note 5)	<u>52,010</u>
Total noncurrent assets	<u>52,010</u>
Total assets	<u>2,520,310</u>

Liabilities

Current liabilities:	
Accounts payable and accrued expenses (note 3)	367,082
Loan from Rowan University (notes 4 and 5)	2,000,000
Subscription liabilities – current portion (notes 4 and 5)	<u>26,164</u>
Total current liabilities	<u>2,393,246</u>
Noncurrent liabilities:	
Subscription liabilities (notes 4 and 5)	<u>12,253</u>
Total noncurrent liabilities	<u>12,253</u>
Total liabilities	<u>2,405,499</u>

Net Position

Net investment in capital assets	13,593
Unrestricted	<u>101,218</u>
Total net position	<u>\$ 114,811</u>

See accompanying notes to the financial statements.

ROWAN EDUCATIONAL ATTRACTIONS, INC.

(A Component Unit of Rowan University)

Statement of Revenues, Expenses, and Changes in Net Position

For the period from September 28, 2023 (inception) through June 30, 2024

Operating revenues:	
Program services fees (note 6)	\$ <u>1,716,343</u>
Total operating revenues	<u>1,716,343</u>
Operating expenses:	
Materials and supplies	102,561
Professional and other services	1,526,104
Amortization (note 5)	<u>14,617</u>
Total operating expenses	<u>1,643,282</u>
Operating income	<u>73,061</u>
Nonoperating revenues (expenses):	
Interest income	42,540
Interest on debt	<u>(790)</u>
Total nonoperating revenues, net	<u>41,750</u>
Changes in net position	114,811
Net position as of beginning of period	<u>—</u>
Net position as of end of period	\$ <u><u>114,811</u></u>

See accompanying notes to the financial statements.

ROWAN EDUCATIONAL ATTRACTIONS, INC.

(A Component Unit of Rowan University)

Statement of Cash Flows

For the period from September 28, 2023 (inception) through June 30, 2024

Cash flows from operating activities:	
Payments to suppliers	\$ <u>(1,338,486)</u>
Net cash used by operating activities	<u>(1,338,486)</u>
Cash flows from capital and related financing activities:	
Proceeds from debt	2,000,000
Principal paid on subscription liabilities	(28,210)
Interest paid on subscription liabilities	<u>(790)</u>
Net cash provided by financing activities	<u>1,971,000</u>
Cash flows from investing activities:	
Interest	<u>42,540</u>
Net increase in cash and cash equivalents	675,054
Cash and cash equivalents as of beginning of period	<u>—</u>
Cash and cash equivalents as of end of period	\$ <u><u>675,054</u></u>
Reconciliation of operating income to net cash used by operating activities:	
Operating income	\$ 73,061
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Amortization	14,617
Changes in operating assets and liabilities:	
Due from Rowan University	(1,716,343)
Receivables and other assets	(76,903)
Accounts payable and accrued expenses	<u>367,082</u>
Net cash used by operating activities	\$ <u><u>(1,338,486)</u></u>
Noncash transaction:	
Subscription asset additions	\$ 66,627

See accompanying notes to the financial statements.

(1) Organization and Summary of Significant Accounting Policies

(a) Organization

Rowan Educational Attractions, Inc. (REA) was incorporated in the State of New Jersey in April 2000 under the original name of The Friends of Hollybush Inc. The Friends of Hollybush Inc. was a dormant entity as after its creation, Rowan University (the University) continued to directly maintain their historical sites. The name was changed in May 2023, and the mission was expanded to include operating for educational purposes as a supporting organization for Rowan University (the University) to operate and maintain their educational sites including museums and historical sites. REA is an organization described under Section 501(c)(3) of the Internal Revenue Code and therefore exempt from Federal income taxes under Section 501(a) of the Code.

(b) Summary of Significant Accounting Policies

(i) Basis of Accounting and Presentation

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

REA reports its net position in the following categories:

- *Net investment in capital assets:* Capital assets, including subscription-based information technology (IT) arrangements, net of accumulated depreciation and amortization, outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets, and any other capital-related liability.
- *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.

The accompanying financial statements have been prepared on the accrual basis of accounting utilizing the economic resources measurement focus. REA reports as a special purpose government engaged in business-type activities. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

(ii) Subscription-based IT Arrangements

REA has noncancelable subscription-based IT arrangements for the right-to-use IT hardware and software (subscription IT arrangements).

Subscription IT Arrangements

For subscription IT arrangements with a maximum possible term of 12 months or less at commencement, REA recognizes expense based on the provisions of the subscription IT arrangement.

Subscription IT Arrangements Other Than Short-term

For all subscription IT arrangements, REA recognizes a subscription IT liability and an intangible right-to-use subscription IT asset.

Measurement of Subscription IT Amounts

At subscription commencement, REA initially measures the subscription IT liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription IT liability is reduced by the principal portion of subscription payments made. The subscription IT asset is initially measured as the initial amount of the subscription IT liability, less subscription payments made at or before the subscription commencement date, less any vendor incentives received at or before the subscription commencement date, plus the capitalizable implementation costs. Subsequently, the subscription IT asset is amortized into amortization expense on a straight-line basis over the shorter of the subscription term or the useful life of the underlying hardware or software.

Key Estimates and Judgements

Key estimates and judgements include how REA determines (1) the discount rate it uses to calculate the present value of the expected subscription payments, (2) subscription term, and (3) subscription payments.

- REA generally uses its estimated incremental borrowing rate as the discount rate for subscription IT arrangements unless the rate that the lessor/vendor charges is known. The incremental borrowing rate estimate is provided by an external financial advisor. REA's incremental borrowing rate for subscription IT arrangement is based on the rate of interest it would need to pay if it issued general obligation bonds to borrow an amount equal to the lease or subscription payments, respectively, under similar terms at the commencement or remeasurement date.
- The subscription term includes the noncancelable period of the subscription IT arrangement, plus any additional periods covered by either a REA or vendor unilateral option to (1) extend for which it is reasonably certain to be exercised, or (2) terminate for which it is reasonably certain not to be exercised. Periods in which both REA and the vendor have an option to terminate or if both parties have to agree to extend are excluded from the subscription term.
- Payments are evaluated by REA to determine if they should be included in the measurement of the subscription IT liabilities, including those payments that require a determination of whether they are reasonably certain of being made, such as purchase options or payments for termination penalties.

Remeasurement of Subscription Amounts

REA monitors changes in circumstances that may require remeasurement of a subscription IT arrangement. When certain changes occur that are expected to significantly affect the amount of the subscription IT liability, the liability is remeasured and a corresponding adjustment is made to the subscription IT asset.

Presentation in Statement of Net Position

Subscription IT assets are reported within capital assets and subscription IT liabilities are reported with long-term debt in the statement of net position.

(iii) *Classification of Revenue and Expenses*

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

(iv) *Classification of Inventory*

REA maintains inventory for sale in the ordinary course of business. Inventories are valued using first in first out methodology and are presented in the receivables and other assets in the statement of net position.

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

REA has evaluated issued pronouncements not yet effective and determined they will not have a material impact. REA 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 U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(2) Deposits

Custodial credit risk associated with REA's cash and cash equivalents includes uninsured and uncollateralized deposits that exceed FDIC insurance coverage limits. REA's bank deposits as of June 30, 2024 were partially insured by Federal Depository Insurance in the amount of \$250,000 in fiscal year 2024. REA's bank deposits as of June 30, 2024 were \$710,916, leaving uninsured and uncollateralized balances of \$460,916.

(3) Accounts Payable and Accrued Expenses

REA accounts payable and accrued expenses consisted of amounts due to vendors totaling \$367,082 at June 30, 2024. Of these amounts, \$27,258 were due to Rowan University.

(4) Debt

In fiscal year 2024, REA entered into a temporary operating agreement which includes an interest free \$2,000,000 temporary funding agreement with Rowan University. The \$2,000,000 is expected to be repaid or converted into a permanent loan agreement at the execution of a management agreement between REA and Rowan University.

Changes in debt for the period ended June 30, 2024 are as follows:

2024					
Debt Obligations Rollforward					
	Beginning balance	Additions	Reductions	Ending balance	Due within One Year
Rowan University	\$ —	2,000,000	—	2,000,000	2,000,000
Subscriptions	—	66,627	28,210	38,417	26,164
Total debt obligations	<u>\$ —</u>	<u>2,066,627</u>	<u>28,210</u>	<u>2,038,417</u>	<u>2,026,164</u>

REA does not have any open lines of credit.

(5) SBITAs

(a) SBITA

As discussed in note 1(b)(iii), REA is a party to a noncancelable SBITA for the right-to-use IT software.

A summary of subscription assets activity for the years ended June 30, 2024 is as follows:

2024				
Right-of-use Assets				
	Beginning balance	Additions/ Transfers	Deletions/ transfers	Ending balance
Right-of-use assets:				
Subscriptions	\$ —	66,627	—	66,627
Total right-of-use assets	—	66,627	—	66,627
Less accumulated amortization:				
Right-of-use assets:				
Subscriptions	—	14,617	—	14,617
Total accumulated amortization	—	14,617	—	14,617
Total right-of-use assets, net	<u>\$ —</u>	<u>52,010</u>	<u>—</u>	<u>52,010</u>

Subscription liabilities

A summary of changes in the related subscription liabilities for the years ended June 30, 2024 is as follows:

2024						
Subscription Liabilities						
	Beginning balance	Additions	Remeasurements	Reductions	Ending balance	Due within One Year
Subscriptions	\$ —	66,627	—	28,210	38,417	26,164
Total leases	<u>\$ —</u>	<u>66,627</u>	<u>—</u>	<u>28,210</u>	<u>38,417</u>	<u>26,164</u>

Future payments due under operating SBITAs as of June 30, 2024 are as follows:

Subscription Payments			
	Principal amount	Interest amount	Total amount
Year ending June 30:			
2025	\$ 26,164	616	26,780
2026	12,253	128	12,381
	\$ 38,417	744	39,161

(6) Related Party Transactions

REA and the University entered into a management services agreement for REA to provide certain services and functions to the University. The University pays REA for these services through a management fee. Additionally, the University pays a program services fee to REA for all expenses directly associated with the operations of the Edelman Fossil Park and Museum of Rowan University. There was no management fee charged in the fiscal year 2024. The total program services fee was \$1,716,343 in the fiscal year 2024.

(7) Subsequent Events

In August 2024, REA signed an amendment to the temporary operating agreement with the University. This amendment provided an additional \$1,000,000 of initial funding.

In November 2024, REA finalized their management agreement with the University. The initial \$2,000,000 funding from the temporary operating agreement was also converted into a 10-year loan at 3.18% annual interest rate. The remaining \$1,000,000 of funding provided through the amendment to the temporary operating agreement remains interest free and shall be returned to the University as a lump sum payment.