



ROWAN UNIVERSITY

(A Component Unit of the State of New Jersey)

Basic Financial Statements, Management's Discussion and Analysis,
Required Supplementary Information and Schedules of Expenditures
of Federal and State of New Jersey Awards

June 30, 2019

(With Independent Auditors' Reports Thereon)

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

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Independent Auditors' Report on Basic Financial Statements

The Board of Trustees
Rowan University:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of Rowan University (the University), a component unit of the State of New Jersey, as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Rowan University Foundation and South Jersey Technology Park at Rowan University, Inc., were not audited in accordance with *Government Auditing Standards*.

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

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



Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of Rowan University as of June 30, 2019 and 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3 through 13 and the schedules of employer contributions and schedules of proportionate share of net pension liability on pages 68 and 69, respectively, and the schedule of proportionate share of the total OPEB liability on page 70 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2019 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

KPMG LLP

Short Hills, New Jersey
December 10, 2019

Management's Discussion and Analysis (Unaudited)

Introduction

This section of Rowan University's (the University) financial statements presents our discussion and analysis of the University's financial performance for the fiscal year ended June 30, 2019 and 2018 with comparative amounts for the year ended June 30, 2017. Since this discussion and analysis is designed to focus on current activities, it should be read in conjunction with the University's basic financial statements, which follows this section. Management has prepared the financial statements and the related note disclosures, along with the discussion and analysis.

University Overview

Rowan University is a public national research university located in Glassboro, Camden and Stratford, New Jersey. It is recognized for its nationally ranked academic and athletic programs, talented professors and high-tech facilities. Rowan prides itself on being able to provide its approximately 19,500 students an outstanding education at an exceptional value.

The University is comprised of seven academic colleges and five schools, including the William G. Rohrer College of Business; the Henry M. Rowan College of Engineering; the Colleges of Communication and Creative Arts, Education, Humanities and Social Sciences, Performing Arts, and Science and Mathematics; the Cooper Medical School of Rowan University; the Rowan University School of Osteopathic Medicine; the Graduate School of Biomedical Sciences; the School of Health Professions; and the School of Earth and Environment, along with an Honors College. Rowan's Division of Global Learning and Partnerships offers flexible undergraduate and graduate programs on campus and off site – including at two area community colleges – and online. Within these colleges and schools the University offers more than 75 bachelor's degrees, 44 master's degrees, six doctoral degrees (Ed.D. and Ph.D.) and two professional degrees.

Rowan is one of three universities in the nation to offer M.D. and D.O. medical degree programs. The institution is also home to the South Jersey Technology Park, which fosters the translation of applied research into commercial products and processes. U.S. News & World Report, in its "Best Colleges 2020" special edition, ranked Rowan University #79 among public universities and #166 among all National Universities. The Carnegie Classification of Institutions of Higher Education has designated Rowan as an R2 institution (high research activity), making it just one of 139 of more than 4,300 colleges and universities across the country with that distinction.

The State of New Jersey (the State) recognizes the University as a comprehensive research university and as a public institution of higher education. The New Jersey Legislature appropriates funds annually to support the University. However, the University operates autonomously from the State.

Financial Statements

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

Management's Discussion and Analysis (Unaudited)

Statement of Net Position

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

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

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

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

A condensed summary of the University's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position as of June 30, 2019, 2018, and 2017 follows:

Condensed Statement of Net Position (in thousands)			
	2019	2018	2017
Current assets	\$ 194,198	207,069	213,536
Capital assets	917,427	930,463	935,876
Other noncurrent assets	168,365	92,228	83,693
Total assets	1,279,990	1,229,760	1,233,105
Deferred outflows of resources	74,910	93,073	108,857
Total assets and deferred outflows of resources	1,354,900	1,322,833	1,341,962
Current liabilities	96,809	95,970	90,244
Noncurrent liabilities	964,502	947,915	1,012,297
Total liabilities	1,061,311	1,043,885	1,102,541
Deferred inflows of resources	193,157	181,165	146,617
Total liabilities and deferred inflows of resources	1,254,468	1,225,050	1,249,158
Net position:			
Net investment in capital assets	210,174	218,156	217,306
Restricted expendable	24,432	22,223	21,109
Unrestricted	(134,174)	(142,596)	(145,611)
Total net position	\$ 100,432	97,783	92,804

Management's Discussion and Analysis (Unaudited)

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

Fiscal Year 2019 Compared to 2018

The University's total assets and deferred outflows of resources increased \$32.1 million from \$1,322.8 million at June 30, 2018 to \$1,354.9 million at June 30, 2019. Current assets decreased \$12.9 million, capital assets decreased \$13.0 million, other noncurrent assets increased \$76.1 million and deferred outflows of resources decreased \$18.2 million.

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

- Within current assets, cash and cash equivalents decreased \$17.6 million offset by a planned increase in investments of \$15.3 million to generate greater investment returns. Receivables decreased by \$12.5 million primarily as a result of timely receipt of state appropriations and professional services revenues of \$8.3 million and \$7.4 million, respectively, offset by a \$2.7 million increase in student receivables.
- Net capital assets decreased approximately \$13.0 million primarily due to an increase of \$37.7 million in assets, offset by depreciation of \$51.1 million.
- Other noncurrent assets increased \$76.1 million for the year ended June 30, 2019. The increase is primarily due to a \$33.4 million increase in investments and a \$43.5 million increase in restricted deposits held by trustees which is driven by the issuance of the Series 2019 bond for \$56.6 million.
- Deferred outflows of resources decreased \$18.2 million primarily due to the recognition of a \$16.7 million reduction of deferred outflows of resources in fiscal year 2019 related to pensions in accordance with GASB 68. Additionally the loss on bond refinancing decreased \$1.5 million as a result of amortization of the 2007 B, 2015 B and 2016 C bond issuances.

Current liabilities increased \$0.8 million. The increase is primarily attributed to the \$5.4 million increase in unearned revenue due to student cash deposits received in advance, offset by \$4.5 million decrease in the current portion of long term debt.

Noncurrent liabilities increased \$16.6 million. This increase is due primarily to a decrease in net pension liabilities of approximately \$21.5 million, an increase in long-term debt of \$41.9 million as a result of the issuance of the 2019 bond, and a decrease in unearned revenue of \$6.9 million related to the recognition of revenue associated with the State of New Jersey capital projects funds as the associated expenditures were incurred.

Deferred inflows of resources increased \$12.0 million due primarily to the increase of \$11.6 million in pension related deferred inflows of resources and the increase of \$0.7 million for the service concession arrangement.

Total net position increased by \$2.6 million at June 30, 2019 which is primarily the result of an \$8.4 million increase in unrestricted net position, a \$2.2 million increase the expendable restricted net position, and a \$8.0 million decrease of net investment of capital assets.

Management's Discussion and Analysis (Unaudited)

Fiscal Year 2018 Compared to 2017

The University's total assets and deferred outflows of resources decreased \$19.1 million from \$1,341.9 million at June 30, 2017 to \$1,322.8 million at June 30, 2018. Current assets decreased \$6.5 million, capital assets decreased \$5.4 million, other noncurrent assets increased \$8.5 million and deferred outflows of resources decreased \$15.8 million. Within current assets, cash and cash equivalents decreased \$19.3 million.

Net capital assets decreased approximately \$5.4 million primarily due to an increase of \$38.4 million in assets, offset by depreciation of \$49.0 million.

Other noncurrent assets increased \$8.5 million for the year ended June 30, 2018. The increase is primarily due to a \$20.7 million increase in investments, offset by a decrease of \$13.1 million in restricted deposits held by trustees which is driven by the drawdown of State of New Jersey capital project funds and other construction funds.

Deferred outflows of resources decreased \$15.8 million primarily due to the recognition of a \$16.5 million reduction of deferred outflows of resources in fiscal year 2018 related to pensions. The deferred outflows related to pensions are being amortized in accordance with the GASB 68 guidelines. Additionally the loss on bond refinancing increased \$0.7 million primarily due to series 2017 A and 2017 B bond issuance, which refunded and redeemed all of the 2007 B Bonds and pay the costs and expenses incurred in the issuance of the 2017A and 2017B bonds.

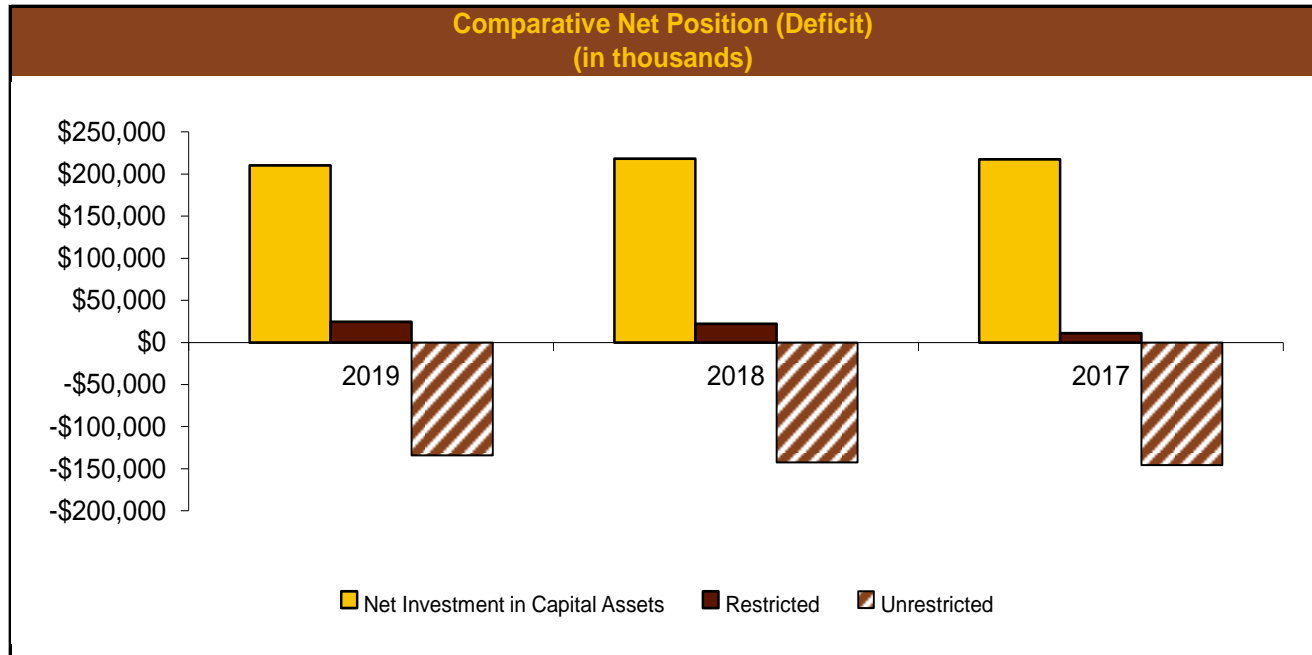
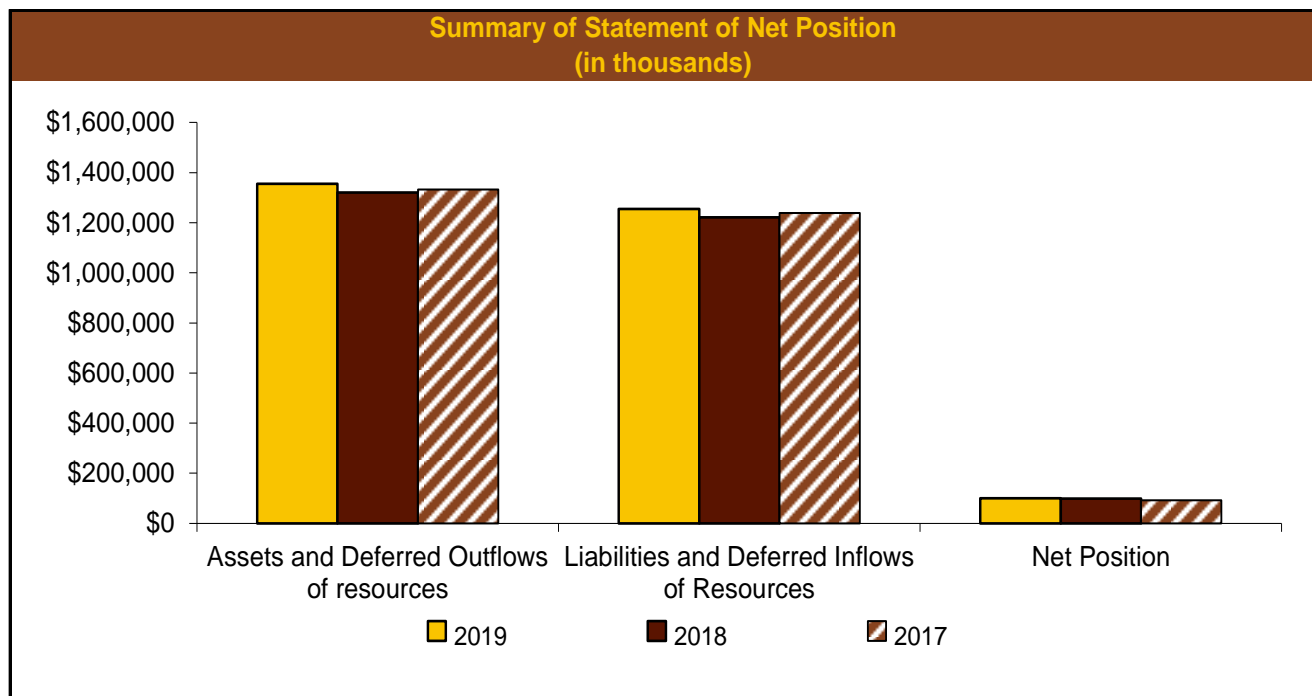
Current liabilities increased \$5.7 million. The increase is primarily attributed to the \$5.7 million increase in the current portion of long term debt, offset by \$0.3 million decrease in unearned revenue due to student revenues received in advance.

Noncurrent liabilities decreased \$64.4 million. This decrease is due primarily to a decrease in net pension liabilities of approximately \$42.0 million, a decrease in long-term debt of \$20.3 million, and a decrease in unearned revenue of \$2.8 million.

Deferred inflows of resources increased \$34.5 million due primarily to the increase of \$38.8 million in pension related deferred inflows of resources, offset by a \$2.6 million reduction the service concession arrangement.

Management's Discussion and Analysis (Unaudited)

Total net position increased by \$5.0 million at June 30, 2018 which is primarily the result of a \$3.0 million increase in unrestricted net position, a \$1.1 million increase the expendable restricted net position, and a \$0.9 million increase of net investment of capital assets.



Management's Discussion and Analysis (Unaudited)

Statement of Revenues, Expenses, and Changes in Net Position

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

Generally speaking, operating revenues are received for providing goods and services to the various customers and constituencies of the University. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the University. Nonoperating revenues are revenues received for which goods and services are not provided. For example, state appropriations are nonoperating because they are provided by the State to the University without the State directly receiving commensurate goods and services for those revenues.

The statement of revenues, expenses, and changes in net position presents the University's results of operations. A condensed summary of the University's revenues, expenses, and changes in net position for the years ended June 30, 2019, 2018, and 2017 as follows:

Condensed Statements of Revenue, Expenses, and Changes in Net Position (in thousands)			
	2019	2018	2017
Operating revenues:			
Net student revenues	\$ 266,719	256,865	247,261
Grants, net	85,156	73,505	64,269
Professional services and contracts, net	51,614	54,094	54,815
Other	10,776	9,390	8,024
Total operating revenues	414,265	393,854	374,369
Operating expenses	582,991	559,968	517,567
Operating loss	(168,726)	(166,114)	(143,198)
Nonoperating revenues (expenses):			
State appropriations	182,197	185,707	157,313
Gifts from Rowan University Foundation	10,929	11,062	9,308
Investment income, net	2,802	2,216	1,562
Interest on capital asset related debt	(36,697)	(36,689)	(35,496)
Other nonoperating revenues (expenses), net	2,451	2,973	6,917
Net nonoperating revenues	161,682	165,269	139,604
Loss before other revenues	(7,044)	(845)	(3,594)
Capital grants	9,693	5,824	39,689
Increase in net position	2,649	4,979	36,095
Net position – beginning of year	97,783	92,804	56,709
Net position – end of year	\$ 100,432	97,783	92,804

Management's Discussion and Analysis (Unaudited)

Fiscal Year 2019 Compared to 2018

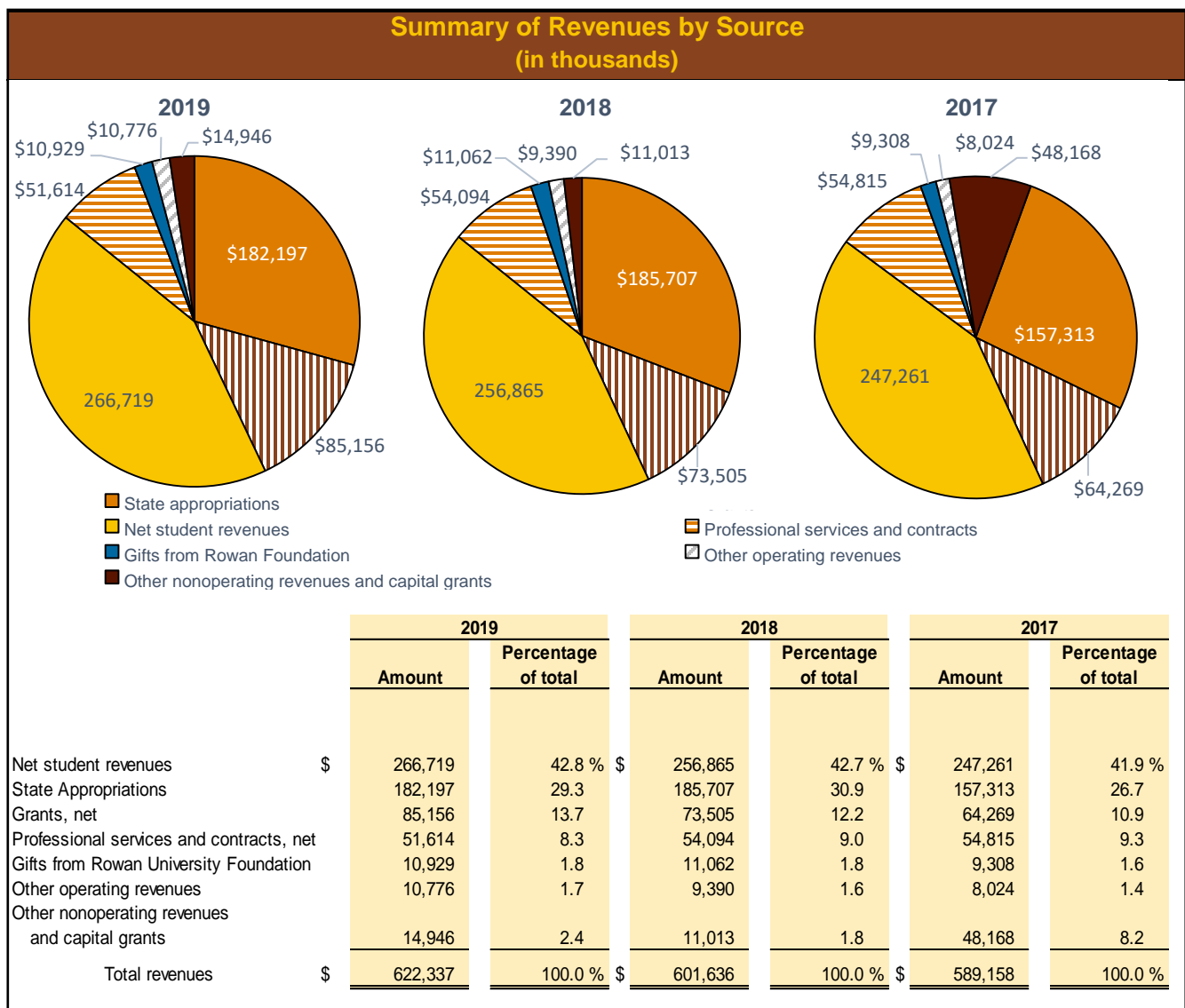
The University's net position increased \$2.6 million in fiscal year 2019. This net amount represents the total revenue available to the University of \$622.3 million compared to total expenses of \$619.7 million.

Fiscal Year 2018 Compared to 2017

The University's net position increased \$5.0 million in fiscal year 2018. This net amount represents the total revenue available to the University of \$601.6 million compared to total expenses of \$596.6 million.

Revenues

To fund its operations, the University receives revenues from a variety of operating and nonoperating sources including tuition and fees, auxiliary services, grants, professional services and contracts, State of New Jersey appropriations, gifts from the Rowan University Foundation and investment income. The University is continuing to seek additional funds from all possible sources to adequately fund operating activities. A summary revenues for the years ended June 30, 2019, 2018, and 2017 as follows:



Management's Discussion and Analysis (Unaudited)

Operating Revenues

Fiscal Year 2019 Compared to 2018

Operating revenues for fiscal year ended June 30, 2019 increased \$20.4 million over fiscal year 2018. The majority of this increase is due to an increase in net student revenues of \$9.9 million and an increase of \$11.7 million in grants, offset by a \$2.5 million decrease in professional services and contracts. The increase in net student revenues is due to increases in enrollment and tuition and fee rates. The increase in grants is due to the University's efforts in increasing grant revenue from federal, state and private funding sources.

Fiscal Year 2018 Compared to 2017

Operating revenues for fiscal year ended June 30, 2018 increased \$19.5 million over fiscal year 2017. The majority of this increase is due to an increase in net student revenues of \$9.6 million and an increase of \$9.2 million in grants, offset by a \$0.7 million decrease in professional services and contracts. The increase in net student revenues is due to increases in enrollment and tuition and fee rates. The increase in grants is due to the University's efforts in increasing grant revenue from federal, state and private funding sources.

Nonoperating Revenues (Net)

Fiscal Year 2019 Compared to 2018

Nonoperating revenues (net) for the years ended June 30, 2019 and 2018 totaled \$161.7 million and \$165.3 million, respectively, which is a \$3.6 million decrease. The primary source of the decrease was \$3.5 million decrease in the State of New Jersey appropriations. State of New Jersey appropriations include the University base appropriation as well as appropriations for the Cooper Medical School of Rowan University, the School of Osteopathic Medicine, OPEB revenues and the State paid fringe benefits. The University recorded \$182.2 million and \$185.7 million in State appropriations for fiscal year 2019 and 2018, respectively. For the year ended June 30, 2018, the University adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75) which resulted in the addition of State of New Jersey appropriations - OPEB nonoperating revenues of \$22.3 million and \$32.6 million for June 30, 2019 and 2018, respectively.

Capital grants increased in fiscal year 2019 by \$3.9 million primarily due to the current year expenditures related to the Joint Health Science Center in Camden and the Academic Space Expansions projects which are part of the University's capital grants awarded through the New Jersey Higher Education Capital Financing Grant Program.

Fiscal Year 2018 Compared to 2017

Nonoperating revenues (net) for the years ended June 30, 2018 and 2017 totaled \$165.3 million and \$139.6 million, respectively, which is a \$25.7 million increase. The primary sources of the increase were \$28.4 million increase in the State of New Jersey appropriations, \$1.2 million decrease in interest on capital asset related debt, as well as a \$3.9 million decrease in other nonoperating revenues and expenses. State of New Jersey appropriations include the University base appropriation as well as appropriations for the Cooper Medical School of Rowan University, the School of Osteopathic Medicine, OPEB revenues and the State paid fringe benefits. The University recorded \$185.7 million and \$157.3 million in State appropriations for fiscal year 2018 and 2017, respectively. For the year ended June 30, 2018, the University adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75) which resulted in the addition of State of New Jersey appropriations - OPEB nonoperating revenues of \$32.6 million.

Capital grants decreased in fiscal year 2018 by \$33.9 million primarily due to the completion of the Rohrer College of Business and the College of Engineering buildings in fiscal year 2017 which was part of the University's capital grants awarded through the New Jersey Higher Education Capital Financing Grant Program.

Management's Discussion and Analysis (Unaudited)

Operating Expenses

Operating expenses are defined as expenses paid by the University to acquire or produce goods and services used to carry out its mission, in return for operating revenues. For the years ended June 30, 2019 and 2018, the University incurred operating expenses totaling \$583.0 million and \$560.0 million, respectively. The increase of \$23.0 million in operating expenses for fiscal year 2019 versus 2018 is a four percent increase from the prior year.

The increase of \$23.0 million is primarily driven by \$12.0 million of grant expenditures tied to the increased grant revenue, \$6.0 million of Cooper Medical School instruction fully offset by the additional appropriations, \$15.5 million in non-grant salary and benefits, a 4.8% increase associated with the new employee contracts settled in fiscal 2019, \$3.5 million increase in depreciation and amortization, \$2.8 million increase in contracted services, offset by a decrease of \$10.3 million of OPEB and a decrease of \$6.5 million of pension expense.

A summary of operating expenses for the years ended June 30, 2019, 2018 and 2017 follows:

Summary of Expenses (in thousands)						
	2019		2018		2017	
	Amount	Percentage of total	Amount	Percentage of total	Amount	Percentage of total
Instruction	\$ 174,196	29.9 %	\$ 161,630	28.9 %	\$ 168,173	32.5 %
Research	21,033	3.6 %	16,524	3.0 %	13,512	2.6 %
Public service	11,695	2.0 %	8,113	1.5 %	8,867	1.7 %
Academic support	44,155	7.6 %	45,698	8.1 %	46,767	9.0 %
Student service	33,525	5.8 %	31,067	5.6 %	29,751	5.7 %
Institutional support	87,859	15.1 %	76,742	13.7 %	71,864	13.9 %
Operation and maintenance of plant	38,058	6.5 %	36,968	6.6 %	33,933	6.6 %
Student aid	14,239	2.4 %	15,443	2.7 %	13,722	2.7 %
Professional services and contracts	50,793	8.7 %	53,960	9.6 %	56,717	11.0 %
Auxiliary enterprises	35,194	6.0 %	34,762	6.2 %	34,959	6.8 %
Other Postemployment Benefits (OPEB)	22,328	3.8 %	32,606	5.8 %	—	— %
Depreciation and amortization	49,916	8.6 %	46,455	8.3 %	39,302	7.5 %
Total operating expenses	\$ 582,991	100.0 %	\$ 559,968	100.0 %	\$ 517,567	100.0 %

Capital Assets and Debt Activities

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

As of June 30, 2019 and 2018, the University had \$210.2 million and \$218.2 million, respectively in net investment in capital assets. Outstanding long-term debt as of June 30, 2019 is \$675.9 million, compared to \$638.6 million as of June 30, 2018.

Significant transactions related to capital assets and bonded debt that occurred during fiscal year 2019 and 2018 were as follows:

In May 2019, GCIA issued Rowan University Series 2019 Bonds. The 2019 tax exempt revenue refunding bonds totaling \$56,600,000 with coupon rates ranging from 4.000% to 5.000% and maturing through 2048. The proceeds from this bond issuance were used to finance a new academic building, design of the Fossil Park, renovations of various facilities, and cover the issuance cost of the Series 2019 Bonds.

Management's Discussion and Analysis (Unaudited)

In July 2017, the GCIA issued Rowan University 2017A and 2017B bonds. The 2017A tax exempt revenue refunding bonds totaled \$73.5 million with coupon rates ranging from 3.000% to 5.000% and maturing through 2033. The 2017B taxable revenue refunding bonds totaled \$4.2 million with coupon rates ranging from 1.850% to 2.100% and maturing through 2019. The proceeds from these bond issuances were used to refund and redeem all of New Jersey Educational Facilities Authority's Rowan University Series 2007B bonds and pay the costs and expenses incurred in the issuance of the 2017A and 2017B bonds.

In August 2017, Glassboro A-3 Urban Renewal, LLC (the Developer) opened the A3 building situated at Victoria Street and Mick Drive in the Borough of Glassboro. The University commenced two operating lease agreements with the Developer for an initial lease term of 15 years to lease approximately 29,570 square feet for academic classrooms and offices, and approximately 17,577 square feet for a fitness center.

Economic Outlook

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

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

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

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

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

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

Management's Discussion and Analysis (Unaudited)

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

State appropriations remain a vital source of funding for the University and the current budgetary issues with the State may have a negative impact on future funding. The University expects to continue to experience uncertainty in its future level of State support. With increasing costs, particularly resulting from contractual obligations with faculty and staff and debt service, the University faces critical funding issues. Additionally, the University's desire to increase institutionally funded scholarships, continue building its academic program excellence and improve its capital assets will also impact the University's financial outlook. The University continues to monitor local and national economic conditions as well as demographic changes that may impact the student-age population and the percentage of that population that pursues a college degree. The University will continue to meet the goals of its mission by monitoring operating costs and capital expenditures while seeking additional revenue sources. The University will continue to monitor the situation and maintain a close watch over resources so as to provide the University with the ability to react to potential budgetary challenges that may occur.

ROWAN UNIVERSITY
(A Component Unit of the State of New Jersey)
Statement of Net Position
June 30, 2019

	Rowan University	Rowan University Foundation	South Jersey Technology Park at Rowan University, Inc.	Total
Assets				
Current assets:				
Cash and cash equivalents (notes 2 and 13)	\$ 49,699,504	5,181,332	1,264,169	56,145,005
Restricted cash and cash equivalents (notes 2 and 13)	1,401,012	2,814,142	—	4,215,154
Receivables:				
Students, less allowance of \$1,678,589	8,292,069	—	—	8,292,069
Contributions, less allowance of \$21,525	—	71,664	—	71,664
Restricted contributions, less allowance of \$76,802	—	734,729	—	734,729
Grants	15,021,214	—	—	15,021,214
State of New Jersey	3,980,575	—	—	3,980,575
Professional services and contracts receivable, less allowance of \$2,801,073	3,599,871	—	—	3,599,871
Due from Rowan component unit	86,910	—	9,558	96,468
Interest and other	2,579,996	—	—	2,579,996
Total receivables	33,560,635	806,393	9,558	34,376,586
Restricted deposits held by trustees (note 3)	27,823,790	—	—	27,823,790
Investments, at fair value (note 2)	78,836,463	—	—	78,836,463
Other current assets	2,875,492	—	2,876	2,878,368
Total current assets	194,196,896	8,801,867	1,276,603	204,275,366
Noncurrent assets:				
Restricted deposits held by trustees (note 3)	71,051,750	—	—	71,051,750
Investments, at fair value (notes 2 and 13)	92,977,761	49,672,329	—	142,650,090
Restricted investments, at fair value (note 13)	—	26,978,584	—	26,978,584
Restricted nonexpendable investments, at fair value (note 13)	—	151,168,226	—	151,168,226
Loans receivable	3,536,053	—	—	3,536,053
Other non current assets	800,000	—	—	800,000
Contributions receivable, less allowance of \$1,651	—	31,364	—	31,364
Restricted contributions receivable, less allowance of \$49,577	—	941,958	—	941,958
Capital assets, net (notes 4 and 12)	917,427,243	—	9,717,576	927,144,819
Total noncurrent assets	1,085,792,807	228,792,461	9,717,576	1,324,302,844
Total assets	1,279,989,703	237,594,328	10,994,179	1,528,578,210
Deferred Outflows of Resources				
Deferred outflows of resources:				
Pensions related (note 6)	55,926,370	—	—	55,926,370
Loss on bond refinancing	18,984,090	—	—	18,984,090
Total deferred outflows of resources	74,910,460	—	—	74,910,460
Liabilities				
Current liabilities:				
Accounts payable and accrued expenses (note 7)	48,605,748	53,237	41,685	48,700,670
Due to University component units	9,558	86,910	—	96,468
Unearned revenue	28,161,014	—	—	28,161,014
Other current liabilities	812,400	—	—	812,400
Annuities payable – current portion	—	29,230	—	29,230
Long-term debt – current portion (notes 8 and 10)	19,219,979	—	211,780	19,431,759
Total current liabilities	96,808,699	169,377	253,465	97,231,541
Noncurrent liabilities (note 10):				
Compensated absences – noncurrent portion (note 12)	2,774,285	—	—	2,774,285
Unearned revenue	2,280,595	—	—	2,280,595
Other liabilities	1,716,534	—	—	1,716,534
Repurchase liability	3,220,000	—	—	3,220,000
Deposits held in custody for others	2,136,370	—	—	2,136,370
Annuities payable – noncurrent portion	—	224,574	—	224,574
Net pension liabilities (note 6)	292,091,658	—	—	292,091,658
Long-term debt – noncurrent portion (note 8)	656,663,961	—	4,341,046	661,005,007
Derivative instruments -- swap liability (note 9)	3,618,344	—	—	3,618,344
Total noncurrent liabilities	964,501,747	224,574	4,341,046	969,067,367
Total liabilities	1,061,310,446	393,951	4,594,511	1,066,298,908
Deferred Inflows of Resources				
Deferred inflows of resources:				
Pensions related (note 6)	67,752,252	—	—	67,752,252
Gain on bond refinancing	144,038	—	—	144,038
Developer contribution	6,248,333	—	—	6,248,333
Service concession arrangement (note 12)	119,012,684	—	—	119,012,684
Split interest agreements	—	105,397	—	105,397
Total deferred inflows of resources	193,157,307	105,397	—	193,262,704
Net Position				
Net investment in capital assets	210,173,808	—	5,164,750	215,338,558
Restricted:				
Nonexpendable (note 13)	—	151,168,226	—	151,168,226
Expendable:				
Debt service and reserve	20,013,341	—	—	20,013,341
Other scholarships	—	13,759,210	—	13,759,210
Other	4,419,609	17,351,002	—	21,770,611
Unrestricted	(134,174,348)	54,816,542	1,234,918	(78,122,888)
Total net position	\$ 100,432,410	237,094,980	6,399,668	343,927,058

See accompanying notes to basic financial statements.

ROWAN UNIVERSITY
(A Component Unit of the State of New Jersey)
Statement of Net Position
June 30, 2018

	Rowan University	Rowan University Foundation	South Jersey Technology Park at Rowan University, Inc.	Total
Assets				
Current assets:				
Cash and cash equivalents (notes 2 and 12)	\$ 67,291,615	8,473,779	1,375,684	77,141,078
Restricted cash and cash equivalents (notes 2 and 13)	1,430,414	4,131,810	—	5,562,224
Receivables:				
Students, less allowance of \$1,367,857	5,585,829	—	—	5,585,829
Contributions, net	—	12,561	—	12,561
Restricted contributions, net	—	274,948	—	274,948
Grants, less allowance of \$241,834	13,415,565	—	—	13,415,565
State of New Jersey	12,282,966	—	—	12,282,966
Professional services and contracts receivable, less allowance of \$2,145,660	10,971,556	—	—	10,971,556
Due from Rowan component unit	2,125,297	—	14,591	2,139,888
Interest and other	1,646,580	—	4,640	1,651,220
Total receivables	46,027,793	287,509	19,231	46,334,533
Restricted deposits held by trustees (note 3)	26,195,005	—	—	26,195,005
Investments, at fair value (note 2)	63,490,887	—	—	63,490,887
Other current assets	2,633,214	—	—	2,633,214
Total current assets	207,068,928	12,893,098	1,394,915	221,356,941
Noncurrent assets:				
Restricted deposits held by trustees (note 3)	27,513,932	—	—	27,513,932
Investments, at fair value (notes 2 and 13)	59,546,572	49,040,374	—	108,586,946
Restricted investments, at fair value (note 13)	—	23,912,057	—	23,912,057
Restricted nonexpendable investments, at fair value (note 13)	—	142,989,315	—	142,989,315
Loans receivable	4,367,986	—	—	4,367,986
Other non current assets	800,000	—	—	800,000
Contributions receivable, net	—	7,898	—	7,898
Restricted contributions receivable, net	—	1,541,592	—	1,541,592
Capital assets, net (notes 4 and 12)	930,462,842	—	9,979,032	940,441,874
Total noncurrent assets	1,022,691,332	217,491,236	9,979,032	1,250,161,600
Total assets	1,229,760,260	230,384,334	11,373,947	1,471,518,541
Deferred Outflows of Resources				
Deferred outflows of resources:				
Pensions related (note 6)	72,616,180	—	—	72,616,180
Loss on bond refinancing	20,456,237	—	—	20,456,237
Total deferred outflows of resources	93,072,417	—	—	93,072,417
Liabilities				
Current liabilities:				
Accounts payable and accrued expenses (note 7)	48,608,838	84,030	171,931	48,864,799
Due to University component units	14,591	2,125,297	—	2,139,888
Unearned revenue	22,799,693	44,239	—	22,843,932
Other current liabilities	780,050	—	—	780,050
Annuities payable – current portion	—	37,630	—	37,630
Long-term debt – current portion (notes 8 and 10)	23,766,267	—	204,511	23,970,778
Total current liabilities	95,969,439	2,291,196	376,442	98,637,077
Noncurrent liabilities (note 10):				
Compensated absences – noncurrent portion (note 12)	2,353,564	—	—	2,353,564
Unearned revenue	9,151,102	—	—	9,151,102
Other liabilities	2,661,725	—	—	2,661,725
Repurchase liability	3,220,000	—	—	3,220,000
Deposits held in custody for others	2,134,428	—	—	2,134,428
Annuities payable – noncurrent portion	—	269,771	—	269,771
Net pension liabilities (note 6)	313,603,691	—	—	313,603,691
Long-term debt – noncurrent portion (note 8)	614,790,811	—	4,552,814	619,343,625
Total noncurrent liabilities	947,915,321	269,771	4,552,814	952,737,906
Total liabilities	1,043,884,760	2,560,967	4,929,256	1,051,374,983
Deferred Inflows of Resources				
Deferred inflows of resources:				
Pensions related (note 6)	56,144,397	—	—	56,144,397
Gain on bond refinancing	168,044	—	—	168,044
Developer contribution	6,520,000	—	—	6,520,000
Service concession arrangement (note 12)	118,332,111	—	—	118,332,111
Split interest agreements	—	288,024	—	288,024
Total deferred inflows of resources	181,164,552	288,024	—	181,452,576
Net Position				
Net investment in capital assets	218,155,779	—	5,221,707	223,377,486
Restricted:				
Nonexpendable (note 13)	—	142,989,315	—	142,989,315
Expendable:				
Debt service and reserve	17,920,163	—	—	17,920,163
Other scholarships	—	13,367,979	—	13,367,979
Other	4,303,178	15,852,763	—	20,155,941
Unrestricted	(142,595,755)	55,325,286	1,222,984	(86,047,485)
Total net position	\$ 97,783,365	227,535,343	6,444,691	331,763,399

See accompanying notes to basic financial statements.

ROWAN UNIVERSITY
(A Component Unit of the State of New Jersey)
Statement of Revenues, Expenses, and Changes in Net Position
Year ended June 30, 2019

	Rowan University	Rowan University Foundation	South Jersey Technology Park at Rowan University, Inc.	Total
Operating revenues:				
Net student revenues:				
Tuition and fees	\$ 275,274,481	—	—	275,274,481
Auxiliary enterprises	51,798,395	—	—	51,798,395
Less scholarship allowances	(60,353,513)	—	—	(60,353,513)
Net student revenues	266,719,363	—	—	266,719,363
Grants	85,155,628	—	—	85,155,628
Self-funded programs	6,351,133	—	—	6,351,133
Fundraising events	—	175,232	—	175,232
Contributions	—	4,967,113	—	4,967,113
Professional services and contracts, net (note 11)	51,613,599	—	—	51,613,599
Rental income (note 14)	—	—	1,161,544	1,161,544
Other operating revenues	3,718,118	225,666	—	3,943,784
Other auxiliary	707,009	—	—	707,009
Total operating revenues	414,264,850	5,368,011	1,161,544	420,794,405
Operating expenses:				
Instruction	174,195,603	—	—	174,195,603
Research	21,033,033	—	—	21,033,033
Public service	11,695,346	—	—	11,695,346
Academic support	44,154,793	—	—	44,154,793
Student services	33,524,883	—	—	33,524,883
Institutional support	87,858,869	665,696	648,717	89,173,282
Operation and maintenance of plant	38,058,522	—	—	38,058,522
Student aid	14,238,555	—	—	14,238,555
Professional services and contracts	50,792,767	—	—	50,792,767
Auxiliary enterprises	35,194,300	—	—	35,194,300
Other Postemployment Benefits (OPEB) (note 6)	22,327,935	—	—	22,327,935
Depreciation and amortization	49,916,282	—	410,564	50,326,846
Total operating expenses	582,990,888	665,696	1,059,281	584,715,865
Operating (loss) income	(168,726,038)	4,702,315	102,263	(163,921,460)
Nonoperating revenues (expenses):				
State of New Jersey appropriations	29,807,000	—	—	29,807,000
State of New Jersey appropriations – CMSRU	18,415,860	—	—	18,415,860
State of New Jersey appropriations – Rowan SOM	29,050,299	—	—	29,050,299
State of New Jersey appropriations – OPEB (note 6)	22,327,935	—	—	22,327,935
State of New Jersey fringe benefits (note 5)	82,596,246	—	—	82,596,246
Student scholarships	—	(2,414,001)	—	(2,414,001)
Gifts from Rowan University Foundation (note 13)	10,928,523	(10,928,523)	—	—
Other grants	—	(15,813)	—	(15,813)
Investment income, net	2,802,134	10,316,620	14,240	13,132,994
Interest on capital asset related debt	(36,696,510)	—	(162,586)	(36,859,096)
Other nonoperating revenues, net	2,450,774	—	1,060	2,451,834
Net nonoperating revenues (expenses)	161,682,261	(3,041,717)	(147,286)	158,493,258
(Loss) income before other revenues	(7,043,777)	1,660,598	(45,023)	(5,428,202)
Capital grants and gifts	9,692,822	—	—	9,692,822
Additions to permanent endowments	—	7,899,039	—	7,899,039
Increase (decrease) in net position	2,649,045	9,559,637	(45,023)	12,163,659
Net position as of beginning of year	97,783,365	227,535,343	6,444,691	331,763,399
Net position as of end of year	\$ 100,432,410	237,094,980	6,399,668	343,927,058

See accompanying notes to basic financial statements.

ROWAN UNIVERSITY
(A Component Unit of the State of New Jersey)
Statement of Revenues, Expenses, and Changes in Net Position
Year ended June 30, 2018

	Rowan University	Rowan University Foundation	South Jersey Technology Park at Rowan University, Inc.	Total
Operating revenues:				
Net student revenues:				
Tuition and fees	\$ 259,530,951	—	—	259,530,951
Auxiliary enterprises	52,125,844	—	—	52,125,844
Less scholarship allowances	(54,791,624)	—	—	(54,791,624)
Net student revenues	256,865,171	—	—	256,865,171
Grants	73,505,223	—	—	73,505,223
Self-funded programs	6,030,330	—	—	6,030,330
Fundraising events	—	27,475	—	27,475
Contributions	—	9,177,708	—	9,177,708
Professional services and contracts, net (note 11)	54,093,950	—	—	54,093,950
Rental income (note 14)	—	—	1,135,604	1,135,604
Other operating revenues	2,945,327	35,720	—	2,981,047
Other auxiliary	414,291	—	—	414,291
Total operating revenues	393,854,292	9,240,903	1,135,604	404,230,799
Operating expenses:				
Instruction	161,629,856	—	—	161,629,856
Research	16,524,323	—	—	16,524,323
Public service	8,112,835	—	—	8,112,835
Academic support	45,697,963	—	—	45,697,963
Student services	31,066,714	—	—	31,066,714
Institutional support	76,742,340	491,782	627,124	77,861,246
Operation and maintenance of plant	36,967,678	—	—	36,967,678
Student aid	15,443,483	—	—	15,443,483
Professional services and contracts	53,960,481	—	—	53,960,481
Auxiliary enterprises	34,761,848	—	—	34,761,848
Other Postemployment Benefits (OPEB) (note 6)	32,605,585	—	—	32,605,585
Depreciation and amortization	46,455,109	—	386,432	46,841,541
Total operating expenses	559,968,215	491,782	1,013,556	561,473,553
Operating (loss) income	(166,113,923)	8,749,121	122,048	(157,242,754)
Nonoperating revenues (expenses):				
State of New Jersey appropriations	29,807,000	—	—	29,807,000
State of New Jersey appropriations – CMSRU	12,448,763	—	—	12,448,763
State of New Jersey appropriations – Rowan SOM	29,192,743	—	—	29,192,743
State of New Jersey appropriations – OPEB (note 6)	32,605,585	—	—	32,605,585
State of New Jersey fringe benefits (note 5)	81,652,278	—	—	81,652,278
Student scholarships	—	(2,693,154)	—	(2,693,154)
Gifts from Rowan University Foundation (note 13)	11,061,684	(11,061,684)	—	—
Other grants	—	(12,179)	—	(12,179)
Investment income, net	2,216,325	14,317,734	7,153	16,541,212
Interest on capital asset related debt	(36,688,784)	—	(169,619)	(36,858,403)
Other nonoperating revenues (expenses), net	2,973,410	1,555,843	705	4,529,958
Net nonoperating revenues (expenses)	165,269,004	2,106,560	(161,761)	167,213,803
(Loss) income before other revenues	(844,919)	10,855,681	(39,713)	9,971,049
Capital grants and gifts	5,824,109	—	—	5,824,109
Additions to permanent endowments	—	9,427,806	—	9,427,806
Increase (decrease) in net position	4,979,190	20,283,487	(39,713)	25,222,964
Net position as of beginning of year	92,804,175	207,251,856	6,484,404	306,540,435
Net position as of end of year	\$ 97,783,365	227,535,343	6,444,691	331,763,399

See accompanying notes to basic financial statements.

ROWAN UNIVERSITY
(A Component Unit of the State of New Jersey)
Statements of Cash Flows
(Business-Type Activities – Rowan University only)
Years ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Student revenues	\$ 269,406,794	254,198,810
Government and private grants	83,549,979	86,361,191
Professional services and contract	58,985,284	51,754,136
Payments to suppliers	(111,028,709)	(98,832,023)
Payments for employee salaries and benefits	(304,078,513)	(283,250,611)
Self-funded programs and other receipts	6,351,133	6,030,330
Net cash provided by operating activities	3,185,968	16,261,833
Cash flows from noncapital financing activities:		
State of New Jersey appropriations	77,273,159	71,448,506
Gifts	10,928,523	11,061,684
Receipts for other noncapital assets	8,302,391	(3,290,641)
Receipts for other nonoperating expenses	2,450,774	2,973,410
Net cash provided by noncapital financing activities	98,954,847	82,192,959
Cash flows from capital and related financing activities:		
Proceeds from bond issuance	65,942,096	89,372,120
Payment on refunding of bond	—	(88,406,774)
Drawdown of restricted deposits held by trustees	(45,166,603)	13,835,341
Capital grants	2,822,315	2,989,195
Costs of issuance	(4,979,596)	(965,346)
Purchases of capital assets	(35,023,637)	(46,370,528)
Principal paid on capital debt	(23,635,637)	(14,354,007)
Interest paid on capital debt	(37,122,224)	(38,926,380)
Net cash used by capital and related financing activities	(77,163,286)	(82,826,379)
Cash flows from investing activities:		
Purchase of investments	(369,111,384)	(208,239,903)
Sale of investments	322,055,993	171,507,046
Interest on investments	4,456,349	1,795,233
Net cash used by investing activities	(42,599,042)	(34,937,624)
Net decrease in cash and cash equivalents	(17,621,513)	(19,309,211)
Cash and cash equivalents as of beginning of the year	68,722,029	88,031,240
Cash and cash equivalents as of end of the year	\$ 51,100,516	68,722,029
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (168,726,038)	(166,113,923)
Adjustments to reconcile operating loss to net cash used by operating activities:		
State paid fringe benefits	82,596,246	81,652,278
State paid postemployment benefits	22,327,935	32,605,585
Depreciation and amortization expense	49,916,282	46,455,109
Changes in assets and liabilities:		
Receivables	5,234,422	5,552,576
Other current assets	(242,278)	478,682
Note receivable	—	(800,000)
Accounts payable and accrued expenses	422,624	2,466,369
Unearned revenue	5,361,321	(295,083)
Student deposits	32,350	109,157
Other liabilities	(945,191)	286,444
Deposits held in custody for others	1,942	448,946
Compensated absences – noncurrent portion	420,721	79,164
Net pension liability, net of deferred amounts	6,785,632	13,336,529
Net cash provided by operating activities	\$ 3,185,968	16,261,833
Noncash transaction:		
Noncash gifts	\$ —	1,055,573
Unrealized loss on investments	(1,896,970)	(148,610)
State of New Jersey paid fringe benefits	82,596,246	81,652,278
State of New Jersey paid other postemployment benefits	22,327,935	32,605,585

See accompanying notes to basic financial statements.

(1) Organization and Summary of Significant Accounting Policies

(a) Organization

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

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

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

(b) Summary of Significant Accounting Policies

(i) Basis of Presentation

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

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

- *Net investment in capital assets:* Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.
- *Restricted:*
 - Nonexpendable* – Net position subject to externally imposed stipulations that must be maintained permanently by the University.
 - Expendable* – Net position whose use by the University is subject to externally imposed stipulations that can be fulfilled by actions of the University pursuant to the stipulations or that expire by the passage of time.
- *Unrestricted:* Net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or the board of trustees.

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

(ii) *Measurement Focus and Basis of Accounting*

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

(iii) *Cash and Cash Equivalents*

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

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

(iv) *Investments*

Investments are reflected at fair value. Purchases and sales of investments are accounted for on the trade-date basis. Investment income is recorded on an accrual basis. Realized and unrealized gains and losses are reported in investment income.

(v) *Capital Assets*

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

Capital Asset	Useful lives
Land improvements	20 years
Buildings	20–40 years
Equipment	3–20 years

(vi) *Deposits Held in Custody for Others*

The University holds cash and cash equivalents as custodian for the Student Government Association.

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

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

Division of Pensions and Benefits' Comprehensive Annual Financial Report (CAFR), which can be found at: www.state.nj.us/treasury/pensions/annrpts.shtml.

(viii) *Financial Dependency*

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

(ix) *Student Tuition and Fees*

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

(x) *Professional Services and Contract Revenues*

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

(xi) *Grants and Contracts*

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

(xii) *Classification of Revenue*

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

(xiii) *New Accounting Standard Adopted*

In fiscal year 2019, the University adopted GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This Statement improves the information that is disclosed in notes to the financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities a government should include when disclosing information related to debt. The University has reviewed this pronouncement, and determined that it is inapplicable due a lack of direct borrowings and direct placements.

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement requires a government entity to recognize an asset retirement obligation when the liability is incurred and reasonably estimable. The government entity would measure the obligation based on its best estimate of the current value of outlays expected to be incurred. The requirements of this Statement are effective for reporting period beginning after June 15, 2018 (fiscal year 2019). The University has assessed that the impact of this pronouncement does not result in material liability to the financial statements.

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

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This Statement improves the guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018 (fiscal year 2020). The University is evaluating the impact of this new standard.

In June 2017, the GASB issued Statement No. 87, *Leases*. This statement improves accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. GASB 87 will be effective for periods beginning after December 15, 2019 (fiscal year 2021). The University is evaluating the impact of this new standard.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement requires that interest cost incurred before the end of a construction period be recognized as expense in the period in which the cost is incurred. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019 (fiscal year 2021). As a result of this Standard, the University will no longer capitalize interest cost related to debt-financed construction projects beginning in fiscal year 2021.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests*. This Statement improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018 (fiscal year 2020). This standard is not expected to have a significant impact on the University.

(xv) *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at

Notes to the Financial Statements as of June 30, 2019 and 2018

the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(xvi) *Tax Status*

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

(2) Cash, Cash Equivalents, and Investments

(a) *Cash and Cash Equivalents*

Cash and cash equivalents consist of the following as of June 30, 2019 and 2018:

Cash and Cash Equivalents		
	2019	2018
Cash	\$ 43,004,493	67,178,361
State of New Jersey Cash Management Fund	640,397	626,309
Money market accounts	7,455,626	917,359
Total cash and cash equivalents	\$ 51,100,516	68,722,029

Cash and money market accounts were held at a depository and bank balances amounted to \$56,120,367 and \$74,861,255, respectively, as of June 30, 2019 and 2018. Of these amounts, \$250,000 was FDIC insured, and \$55,229,970 and \$73,984,946 were collateralized pursuant to Chapter 64 of Title 18A of New Jersey Statutes as of June 30, 2019 and 2018, respectively.

The University participates in NJCMF wherein amounts also contributed by other State entities are combined in a large-scale investment program. The University's deposits in the NJCMF were \$640,397 and \$626,309 as of June 30, 2019 and 2018, respectively. These amounts are collateralized in accordance with New Jersey Statute 52:18-16-1, but not in the University's name.

The operations of the NJCMF are governed by statutes of the State and the provisions of the State Investment Council Regulations for the purpose of determining authorized investments. The fair value of the NJCMF is based on the number of shares held by the University and the market price of those shares as of June 30, 2019 and 2018. The NJCMF is unrated with an average portfolio maturity of less than one year.

Notes to the Financial Statements as of June 30, 2019 and 2018

(b) Investments

The University's investments consist of the following as of June 30, 2019 and 2018:

Investments		
	2019	2018
U.S. government treasury securities	\$ 10,144,608	14,868,533
U.S. government agency securities	5,592,055	999,830
U.S. corporate bonds	105,784,137	88,871,928
International bonds	6,442,814	—
Foreign corporate bonds	1,382,114	752,786
Commercial paper	349,727	—
Asset-backed securities	21,061,329	7,720,589
Commercial mortgage-backed securities	6,349,189	2,248,649
Municipal bonds	1,745,203	2,307,137
Collateralized mortgage obligations	5,371,999	819,814
Mutual funds – equity	7,412,166	4,273,693
Common stock – equity	178,883	174,500
Total investments	\$ 171,814,224	123,037,459

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

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

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

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The credit risk of a debt instrument is measured by nationally recognized statistical rating agencies such as Moody's Investors Service, Inc. (Moody's) and Standard and Poors (S&P). The University's investment policy requires that fixed income securities are rated Baa3/BBB – or higher by at least one rating agency. At June 30, 2019 and 2018, the University does not have investments in a single issuer of more than 5% of its total investments and therefore does not have a concentration of credit risk.

Notes to the Financial Statements as of June 30, 2019 and 2018

The following tables summarize the agency ratings of the fixed income securities included in the University's investments as of June 30, 2019 and 2018:

	2019								
	S&P Rated				Moody's Rated		Fitch Rated		Total
AAA	AA	A	BBB	Aaa	Aa3	A1	AAA		
U.S. government treasury securities	\$ —	6,428,632	—	—	3,715,976	—	—	—	10,144,608
U.S. government agency securities	—	2,253,969	—	—	3,338,086	—	—	—	5,592,055
U.S. corporate bonds	2,017,290	20,827,361	55,584,667	25,573,983	1,780,836	—	—	—	105,784,137
International bonds	2,200,726	—	121,036	—	4,121,052	—	—	—	6,442,814
Foreign corporate bonds	—	—	—	—	—	—	1,382,114	—	1,382,114
Commercial paper	—	—	349,727	—	—	—	—	—	349,727
Asset-backed securities	14,049,780	1,257,473	43,550	—	5,710,526	—	—	—	21,061,329
Commercial mortgage-backed securities	1,281,825	—	—	—	4,503,863	100,188	—	463,313	6,349,189
Municipal bonds	73,935	1,235,678	210,426	—	—	225,164	—	—	1,745,203
Collateralized mortgage obligations	—	5,371,999	—	—	—	—	—	—	5,371,999
Total	\$ 19,623,556	37,375,112	56,309,406	25,573,983	23,170,339	325,352	1,382,114	463,313	164,223,175

	2018							
	S&P Rated				Moody's Rated			Total
AAA	AA	A	BBB	Aaa	Aa	A		
U.S. government treasury securities	\$ —	14,868,533	—	—	—	—	—	14,868,533
U.S. government agency securities	—	999,830	—	—	—	—	—	999,830
U.S. corporate bonds	1,992,890	20,627,369	48,131,534	15,857,764	2,262,371	—	—	88,871,928
Foreign corporate bonds	675,574	—	—	77,212	—	—	—	752,786
Asset-backed securities	5,014,280	380,162	—	—	2,326,147	—	—	7,720,589
Commercial mortgage-backed securities	232,498	410,389	—	—	1,605,762	—	—	2,248,649
Municipal bonds	—	565,733	629,819	—	900,000	172,581	39,004	2,307,137
Collateralized mortgage obligations	—	819,814	—	—	—	—	—	819,814
Total	\$ 7,915,242	38,671,830	48,761,353	15,934,976	7,094,280	172,581	39,004	118,589,266

Notes to the Financial Statements as of June 30, 2019 and 2018

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of a debt investment. The University's investment policy does not specifically address limitations in the maturities of investments. For the University, the following tables summarize the maturities of the fixed income security investments as of June 30, 2019 and 2018:

Investment type	Fair value	2019 Investment maturities (in years)			
		Less than 1	1–5	6–10	More than 10
U.S. government treasury securities	\$ 10,144,608	7,261,359	2,883,249	—	—
U.S. government agency securities	5,592,055	3,606,776	1,156,592	—	828,687
U.S. corporate bonds	105,784,137	57,431,369	48,352,768	—	—
International bonds	6,442,814	—	6,442,814	—	—
Foreign corporate bonds	1,382,114	—	1,382,114	—	—
Commercial paper	349,727	349,727	—	—	—
Asset-backed securities	21,061,329	82,980	15,145,484	3,692,037	2,140,828
Commercial mortgage-backed securities	6,349,189	—	75,024	101,888	6,172,277
Municipal bonds	1,745,203	1,420,531	250,737	73,935	—
Collateralized mortgage obligations	5,371,999	1,092,671	3,346,345	259,592	673,391
Total	\$ 164,223,175	71,245,413	79,035,127	4,127,452	9,815,183

Investment type	Fair value	2018 Investment maturities (in years)			
		Less than 1	1–5	6–10	More than 10
U.S. government treasury securities	\$ 14,868,533	10,927,083	3,941,450	—	—
U.S. government agency securities	999,830	999,830	—	—	—
U.S. corporate bonds	88,871,928	45,017,887	42,870,341	—	983,700
Foreign corporate bonds	752,786	675,574	77,212	—	—
Asset-backed securities	7,720,589	159,243	6,367,130	856,817	337,399
Commercial mortgage-backed securities	2,248,649	687,889	410,388	—	1,150,372
Municipal bonds	2,307,137	514,832	492,305	200,000	1,100,000
Collateralized mortgage obligations	819,814	60,356	393,073	230,434	135,951
Total	\$ 118,589,266	59,042,694	54,551,899	1,287,251	3,707,422

(c) Fair Value Measurement

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

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

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

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

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

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

Notes to the Financial Statements as of June 30, 2019 and 2018

The University's financial instruments as of June 30, 2019 are summarized in the following table by their fair value hierarchy:

Investments Measured at Fair Value				
	Total	Level 1	Level 2	Level 3
Investment:				
U. S. government treasury securities	\$ 10,144,608	10,144,608	—	—
U. S. government agency securities	5,592,055	—	5,592,055	—
U. S. corporate bonds	105,784,137	—	105,784,137	—
International bonds	6,442,814	—	6,442,814	—
Foreign corporate bonds	1,382,114	—	1,382,114	—
Commercial paper	349,727	—	349,727	—
Asset-backed securities	21,061,329	—	21,061,329	—
Commercial mortgage-backed securities	6,349,189	—	6,349,189	—
Municipal bonds	1,745,203	—	1,745,203	—
Collateralized mortgage obligations	5,371,999	—	5,371,999	—
Mutual funds – equity	7,412,166	7,412,166	—	—
Common stock – equity	178,883	178,883	—	—
Total investments	\$ 171,814,224	17,735,657	154,078,567	—

The University's financial instruments as of June 30, 2018 are summarized in the following table by their fair value hierarchy:

Investments Measured at Fair Value				
	Total	Level 1	Level 2	Level 3
Investment:				
U. S. government treasury securities	\$ 14,868,533	14,868,533	—	—
U. S. government agency securities	999,830	—	999,830	—
U. S. corporate bonds	88,871,928	—	88,871,928	—
Foreign corporate bonds	752,786	—	752,786	—
Asset-backed securities	7,720,589	—	7,720,589	—
Commercial mortgage-backed securities	2,248,649	—	2,248,649	—
Municipal bonds	2,307,137	—	2,307,137	—
Collateralized mortgage obligations	819,814	—	819,814	—
Mutual funds – equity	4,273,693	4,273,693	—	—
Common stock – equity	174,500	174,500	—	—
Total investments	\$ 123,037,459	19,316,726	103,720,733	—

Notes to the Financial Statements as of June 30, 2019 and 2018

(3) Restricted Deposits Held by Trustees

Restricted deposits held by trustees include restricted funds held by three Board approved trustees. Deposits held by trustees consist of cash and money market investments, which are measured at amortized cost. The money market investments were unrated. Restricted deposits held by trustees include funds for construction, debt service reserve, and debt service and consist of the following as of June 30, 2019 and 2018:

Restricted Deposits Held by Trustees		
	2019	2018
Construction funds	\$ 71,051,750	27,513,932
Debt service and debt service reserve funds	27,823,790	26,195,005
	98,875,540	53,708,937
Less current portion	27,823,790	26,195,005
Noncurrent restricted deposits held by trustees	\$ 71,051,750	27,513,932

(4) Capital Assets

The detail of capital assets activity for the years ended June 30, 2019 and 2018 is as follows:

2019	Capital Assets			
	Beginning balance	Additions/ Transfers	Deletions/ transfers	Ending balance
Nondepreciable assets:				
Land	\$ 50,733,561	188,365	—	50,921,926
Artwork	3,164,490	—	(445,000)	2,719,490
Construction in progress	13,434,967	25,788,227	(17,103,949)	22,119,245
Total nondepreciable assets	67,333,018	25,976,592	(17,548,949)	75,760,661
Depreciable assets:				
Land improvements	57,625,634	3,488,288	—	61,113,922
Buildings	1,200,860,770	15,841,891	(30,111)	1,216,672,550
Equipment	67,228,641	10,382,843	(388,939)	77,222,545
Total depreciable assets	1,325,715,045	29,713,022	(419,050)	1,355,009,017
Less accumulated depreciation:				
Land improvements	26,367,711	3,132,386	—	29,500,097
Buildings	399,375,690	39,696,902	(30,111)	439,042,481
Equipment	36,841,820	8,314,477	(356,440)	44,799,857
Total accumulated depreciation	462,585,221	51,143,765	(386,551)	513,342,435
Total capital assets, net	\$ 930,462,842	4,545,849	(17,581,448)	917,427,243

Notes to the Financial Statements as of June 30, 2019 and 2018

2018	Capital Assets			
	Beginning balance	Additions/ Transfers	Deletions/ transfers	Ending balance
Nondepreciable assets:				
Land	\$ 50,569,091	164,470	—	50,733,561
Artwork	2,770,624	393,866	—	3,164,490
Construction in progress	31,897,871	29,641,709	(48,104,613)	13,434,967
Total nondepreciable assets	85,237,586	30,200,045	(48,104,613)	67,333,018
Depreciable assets:				
Land improvements	55,071,590	2,554,044	—	57,625,634
Buildings	1,154,084,386	48,015,664	(1,239,280)	1,200,860,770
Equipment	60,293,467	11,409,782	(4,474,608)	67,228,641
Total depreciable assets	1,269,449,443	61,979,490	(5,713,888)	1,325,715,045
Less accumulated depreciation:				
Land improvements	23,440,293	2,927,418	—	26,367,711
Buildings	361,517,911	38,873,946	(1,016,167)	399,375,690
Equipment	33,853,069	7,172,407	(4,183,656)	36,841,820
Total accumulated depreciation	418,811,273	48,973,771	(5,199,823)	462,585,221
Total capital assets, net	\$ 935,875,756	43,205,764	(48,618,678)	930,462,842

Depreciation expense for the year ending June 30, 2019 and 2018 is \$51,143,765 and \$48,973,771, respectively. The estimated cost to complete capital projects included in construction in progress as of June 30, 2019 approximates \$94,804,000. Anticipated financing for these projects is approximately \$3,752,000 in grant funds, \$59,520,000 in bond funding and \$31,532,000 in University funds.

(5) State of New Jersey Fringe Benefits

The State, through separate appropriations, pays certain fringe benefits, principally health benefits and FICA taxes, on behalf of University employees and retirees. The costs of these benefits, \$82,596,246 and \$81,652,278, respectively, for fiscal years 2019 and 2018, were paid directly by the State on behalf of the University and are included in the accompanying financial statements as State of New Jersey fringe benefits revenue and as operating expenses.

(6) Retirement Plans

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

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

(a) **Defined Benefit Pension Plans**

General Information

(i) *Public Employees' Retirement System*

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

Benefits provided – All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

The following represents the membership tiers for PERS:

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

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

Contributions – The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Members contribute at a uniform rate. The member contribution rate at June 30, 2019 and 2018 was 7.5% and 7.34%, respectively, of pensionable wages. The State contributes the employer's share on behalf of the University. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. The University's contributions to PERS (amounts paid by the State on behalf of the University) for the fiscal year ended June 30, 2019 and 2018 was \$9,320,515 and \$7,325,414, respectively.

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

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

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

The following represents the membership tiers for PFRS:

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

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

Contributions – The contribution policy is set by N.J.S.A. 43:16A and requires contributions by active members and contributing employers. The State contributes the employer's share on behalf of the University. The State's contribution amount is based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. The member contribution rate at June 30, 2019 and 2018 was 10% of pensionable wages. The University's contributions to PFRS (amounts paid by the State on behalf of the University) for the fiscal year ended June 30, 2019 and 2018 were \$1,248,845 and \$1,069,699, respectively.

(iii) *Teachers' Pension and Annuity Fund*

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

Benefits provided – The vesting and benefit provisions are set by N.J.S.A. 18A:66. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of TPAF. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

Notes to the Financial Statements as of June 30, 2019 and 2018

The following represents the membership tiers for TPAF:

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

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

Contributions – The contribution policy is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing employers. The full normal contribution rate at June 30, 2019 and 2018 was 7.5% and 7.34%, respectively. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability.

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

The University's respective net pension liability, deferred outflows of resources, deferred inflows of resources and pension expense related to PERS and PFRS are calculated by the Division. At June 30, 2019, the University reported a liability of \$274,241,746 and \$17,849,912 for PERS and PFRS, respectively, for its proportionate share of the respective PERS and PFRS net pension liabilities. At June 30, 2018, the University reported a liability of \$295,481,815 and \$18,121,876 for PERS and PFRS, respectively, for its proportionate share of the respective PERS and PFRS net pension liabilities. As the State is legally obligated to fund TPAF on behalf of the University, the University's proportionate share of net pension liability at June 30, 2019 and 2018 of \$1,310,288 and \$1,479,732, respectively, is recognized by the State. The total pension liabilities used to calculate the net pension liabilities, which were recorded in the statement of net position as of June 30, 2019, were determined by actuarial valuations as of July 1, 2017 and rolled forward to the measurement date of June 30, 2018. The total pension liabilities used to calculate the net pension liabilities, which were recorded in the statement of net position as of June 30, 2018, were determined by actuarial valuations as of July 1, 2016 and rolled forward to the measurement date of June 30, 2017. For PERS and PFRS, the University's proportionate share of the respective net pension liabilities for the fiscal year was based on the actual contributions made by the State on behalf of the University relative to the total contributions of participating employers of the State Group for each plan for fiscal year 2018. For TPAF, the University's proportionate share of the respective net pension liability for the fiscal year was based on the actual contributions made by the

Notes to the Financial Statements as of June 30, 2019 and 2018

State on behalf of the University relative to the total contributions made by the State for fiscal year 2018 and 2017. The University's allocation percentages and pension expense for each plan are as follows:

2018 Summary of Pension Amounts			
	PERS	PFRS	TPAF
2018 Allocation percentage – State Group/Nonemployer Group ¹	1.157 %	0.412 %	0.002 %
2018 Allocation percentage – Total Plan ²	0.632 %	0.091 %	0.002 %
Pension expense for the measurement date June 30, 2018	\$ 15,962,800	1,551,412	76,385

2017 Summary of Pension Amounts			
	PERS	PFRS	TPAF
2017 Allocation percentage – State Group/Nonemployer Group ¹	1.152 %	0.412 %	0.002 %
2017 Allocation percentage – Total Plan ²	0.604 %	0.084 %	0.002 %
Pension expense for the measurement date June 30, 2017	\$ 20,668,447	1,625,442	102,508

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

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

As TPAF is a special funding situation, the University recognized revenue related to the support provided by the State as of June 30, 2019 and 2018 of \$76,385 and \$102,508, respectively, in the State of New Jersey fringe benefits amount on the statements of revenue, expenses and changes in net position.

Notes to the Financial Statements as of June 30, 2019 and 2018

The University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources as of June 30, 2019 and 2018:

2019			
Deferred Outflows and Inflows of Resources from Pensions			
	PERS	PFRS	Total
Deferred outflows of resources:			
Changes of assumptions	\$ 26,796,471	657,121	27,453,592
Changes in proportionate share	11,249,273	843,114	12,092,387
Differences between expected and actual experience	4,773,752	—	4,773,752
Net differences between projected and actual investment earnings on pension plan investments	775,589	261,690	1,037,279
Contributions subsequent to the measurement date	9,320,515	1,248,845	10,569,360
Total	\$ 52,915,600	3,010,770	55,926,370
Deferred inflows of resources:			
Changes in proportionate share	\$ 7,643,104	271,182	7,914,286
Differences between expected and actual experience	2,287,773	249,795	2,537,568
Changes of assumptions	55,195,738	2,104,660	57,300,398
Total	\$ 65,126,615	2,625,637	67,752,252

2018			
Deferred Outflows and Inflows of Resources from Pensions			
	PERS	PFRS	Total
Deferred outflows of resources:			
Changes of assumptions	\$ 38,650,908	1,084,709	39,735,617
Changes in proportionate share	14,357,377	1,150,081	15,507,458
Differences between expected and actual experience	6,769,706	—	6,769,706
Net differences between projected and actual investment earnings on pension plan investments	1,876,738	331,548	2,208,286
Contributions subsequent to the measurement date	7,325,414	1,069,699	8,395,113
Total	\$ 68,980,143	3,636,037	72,616,180
Deferred inflows of resources:			
Changes in proportionate share	\$ 12,086,791	448,423	12,535,214
Differences between expected and actual experience	—	234,936	234,936
Changes of assumptions	41,832,600	1,541,647	43,374,247
Total	\$ 53,919,391	2,225,006	56,144,397

Notes to the Financial Statements as of June 30, 2019 and 2018

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

At June 30, 2019, \$10,569,360 was reported as deferred outflows of resources related to pensions resulting from contributions made on behalf of the University by the State subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Future Net Deferred Outflows (Inflows) of Resources			
	PERS	PFRS	Total
Years ending:			
2020	\$ 677,454	133,000	810,454
2021	(1,045,795)	(113,760)	(1,159,555)
2022	(8,241,246)	(396,078)	(8,637,324)
2023	(9,673,982)	(335,709)	(10,009,691)
2024	(3,247,961)	(151,165)	(3,399,126)
	<u>\$ (21,531,530)</u>	<u>(863,712)</u>	<u>(22,395,242)</u>

Actuarial Assumptions

The total pension liabilities related to PERS, PFRS, and TPAF measured as of June 30, 2018 and 2017 were based on actuarial valuations as of July 1, 2017 and 2016, respectively, using the following actuarial assumptions:

Actuarial Assumptions			
	PERS	PFRS	TPAF
Inflation rate	2.25%	2.25%	2.25%
Salary increases:			
Through 2026	1.65 – 4.15% based on age	2.10 – 8.98% based on age	Varies based on experience
Thereafter	2.65 – 5.15% based on age	3.10 – 9.98% based on age	Varies based on experience
Investment rate of return	7.00%	7.00%	7.00%

2018

For PERS, pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the Conduent modified 2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from 2012 to 2013 using Projection Scale AA and using a generational approach based on the Conduent 2014 projection scale thereafter. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

2017

For PERS, pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

2018

For PFRS, pre-retirement mortality rates were based on the RP-2000 Combined Healthy Mortality tables projected on a generational basis from the base year of 2000 to 2013 using Projection Scale BB and the Conduent modified 2014 projection scale thereafter. For preretirement accidental mortality, a custom table with representative rates was used and there is no mortality improvement assumed. Post-retirement mortality rates for male service retirements are based on the RP-2000 Combines Healthy Mortality Tables projected on a generational basis using Projection Scale AA from the base year of 2012 to 2013 and the Conduent modified 2014 projection scale thereafter. Postretirement mortality rates for female service retirements and beneficiaries were based on the RP-2000 Combined Healthy Mortality Tables projected on a generational basis from base year of 2000 to 2013 using Projection Scale BB and the Conduent modifies 2014 projection scales thereafter. Disability mortality rates were based on a custom table with representative rates and no mortality improvement assumed.

2017

For PFRS, pre-retirement mortality rates were based on the RP-2000 Pre-Retirement mortality tables projected thirteen years using Projection Scale BB and then projected on a generational basis using the plan actuary's modified 2014 projection scales. Post-retirement mortality rates for male service retirements and beneficiaries are based the RP-2000 Combined Healthy Mortality Tables projected one year using Projection Scale AA and two years using the plan actuary's modified 2014 projection scales, which was further projected on a generational basis using the plan actuary's modified 2014 projection scales. Post- retirement mortality rates for female service retirements and beneficiaries were based the RP-2000 Combined Healthy Mortality Tables projected thirteen years using Projection Scale BB and then two years using the plan actuary's modified 2014 projection scales, which was further projected on a generational basis using the plan actuary's modified 2014 projection scales. Disability mortality rates were based on special mortality tables used for the period after disability retirement.

2018

For TPAF, pre-retirement mortality rated were based on the RP-2006 Employee White Collar Mortality Tables, set back 3 years for males and 5 years for females, projected on a generational basis from base year of 2006 using a 60 year average of improvement rates based on Social Security data from 1953 to 2013. Post-retirement mortality rates were based on the RP-2006 Healthy Annuitant White Collar Mortality Tables, with adjustments as described in the latest experience study, projected on a generational basis from a base year of 2006 using a 60 year average of improvement rates based on Social Security data from 1953 to 2013. Disability mortality rates were based on the RP-2006 Disabled Retiree Mortality Tables with rates adjusted by 90%. No mortality improvement is assumed for disabled retiree mortality.

2017

For TPAF, pre-retirement, post-retirement and disabled mortality rates were based on the experience of TPAF members reflecting mortality improvement on a generational basis based on a 60-year average of Social Security data from 1953 to 2013.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% June 30, 2018 and 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of the arithmetic real rates of return for each major asset class included in PERS's, PFRS's and TPAF's target asset allocations as of June 30, 2018 and 2017 are summarized in the following table:

Target Asset Allocation and Long-Term Expected Rate of Return		
	PERS PFRS TPAF	
	Target allocation	Long-term expected real rate of return
Absolute return/risk mitigation	5.00 %	5.51 %
Cash equivalents	5.50	1.00
U.S. Treasuries	3.00	1.87
Investment grade credit	10.00	3.78
Public high yield	2.50	6.82
Global diversified credit	5.00	7.10
Credit oriented hedge funds	1.00	6.60
Debt related private equity	2.00	10.63
Debt related real estate	1.00	6.61
Private real asset	2.50	11.83
Equity related real estate	6.25	9.23
U.S. equity	30.00	8.19
Non-U.S. developed markets equity	11.50	9.00
Emerging market equities	6.50	11.64
Buyouts/venture capital	8.25	13.08

Discount Rate

The discount rates used to measure the total pension liabilities were 5.66%, 6.51% and 4.86% for PERS, PFRS, and TPAF, respectively, as of June 30, 2018. These single blended discount rates were based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.87% as of June 30, 2018, based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Notes to the Financial Statements as of June 30, 2019 and 2018

The discount rates used to measure the total pension liabilities were 5.00%, 6.14% and 4.25% for PERS, PFRS, and TPAF, respectively, as of June 30, 2017. These single blended discount rates were based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.58% as of June 30, 2017, based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

In fiscal year 2019, the projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 50% of the actuarially determined contributions for PERS, PFRS and TPAF and the local employers contributed 100% of their actuarially determined contributions for PERS and PFRS. Based on those assumptions, the plan's fiduciary net position as of June 30, 2018 was projected to be available to make projected future benefit payments of current plan members through 2046 for PERS, 2062 for PFRS and 2040 for TPAF. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2046 for PERS, 2062 for PFRS and 2040 for TPAF and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

In fiscal year 2018, the projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions for PERS, PFRS and TPAF and the local employers contributed 100% of their actuarially determined contributions for PERS and PFRS. Based on those assumptions, the plan's fiduciary net position as of June 30, 2017 was projected to be available to make projected future benefit payments of current plan members through 2040 for PERS, 2057 for PFRS and 2036 for TPAF. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040 for PERS, 2057 for PFRS and 2036 for TPAF and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the collective net pension liability of the University as of the June 30, 2018, measurement date calculated using the discount rates as disclosed above as well as the collective net pension liability if it was calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

2018 Sensitivity of Net Pension Liability			
Plan (rates)	At 1% decrease	At current discount rate	At 1% increase
PERS(4.66%, 5.66%, 6.66%)	317,149,280	274,241,746	238,296,262
PFRS(5.51%, 6.51%, 7.51%)	20,987,542	17,849,912	15,266,007

The following presents the collective net pension liability of the University as of the June 30, 2017, measurement date calculated using the discount rates as disclosed above as well as the collective net

pension liability if it was calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

2017 Sensitivity of Net Pension Liability			
Plan (rates)	At 1% decrease	At current discount rate	At 1% increase
PERS(4.00%, 5.00%, 6.00%)	343,561,501	295,481,815	255,547,006
PFRS(5.14%, 6.14%, 7.14%)	21,447,185	18,121,876	15,396,087

(b) Defined Contribution Retirement Plans

Alternative Benefit Program (ABP)

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

Benefits are determined by the amount of individual accumulations and the retirement income option selected. All benefits vest after the completion of one year of service. Individually owned annuity contracts that provide for full ownership of retirement and survivor benefits are purchased at the time of vesting. Participating University employees contribute 5% of salary and may contribute a voluntary additional contribution up to the maximum Federal statutory limit, on a pre-tax basis.

Employer contributions are 8%. During the year ended June 30, 2019 and 2018, ABP investment carriers received employer and employee contributions as follows:

ABP Employer and Employee Contributions			
		2019	2018
Employer contributions	\$	12,069,066	10,799,217
Employee contributions		14,931,242	13,468,992
Basis for contributions:			
Participating employee salaries	\$	150,863,320	134,990,216

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

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

Defined Contribution Retirement Plan

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

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

Participating University employees contribute 5.5% of their eligible wages. Employer contributions are 3%. During the years ended June 30, 2019 and 2018, Prudential received employer and employee contributions as follows:

DCRP Employer and Employee Contributions			
		2019	2018
Employer contributions	\$	32,059	28,140
Employee contributions		58,775	51,589
Basis for contributions:			
Participating employee salaries	\$	1,068,610	937,978

(c) Post-Employment Benefits Other than Pensions

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

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

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

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

Total OPEB Liability and OPEB expense

As of June 30, 2019 and 2018, the State recorded a liability of \$486,974,034 and \$554,246,968, respectively, which represents the portion of the State's total proportionate share of the collective total OPEB liability that is associated with the University (the University's share). The University's share was based on the ratio of its members to the total members of the Plan. At June 30, 2019, the University's share was 6.81% and 2.06% of the special funding situation and of the Plan, respectively. At June 30, 2018, the University's share was 6.77% and 1.97% of the special funding situation and of the Plan, respectively.

For the year ended June 30, 2019 and 2018, the University recognized OPEB expense of \$22,327,935 and \$32,605,585, respectively. As the State is legally obligated for benefit payments on behalf of the University, the University recognized revenue related to the support provided by the State of \$22,327,935 and \$32,605,585 in 2019 and 2018, respectively.

Actuarial assumptions and other inputs – The State's liability associated with the University at June 30, 2019 was determined by an actuarial valuation as of June 30, 2017, which was rolled forward to the measurement date of June 30, 2018. The State's liability associated with the University at June 30, 2018 was determined by an actuarial valuation as of June 30, 2016, which was rolled forward to the measurement date of June 30, 2017. This valuation used the following assumptions:

	2019	2018
Inflation	2.50 %	2.50 %
Discount rate	3.87 %	3.58 %
Salary increases		
Through 2026	1.55 – 8.98%	1.55 – 8.98%
Thereafter	2.00 – 9.98%	2.00 – 9.98%

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

Notes to the Financial Statements as of June 30, 2019 and 2018

The June 30, 2017 valuation used preretirement mortality rates based on the RP-2006 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Postretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2006 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

The June 30, 2016 valuation used preretirement mortality rates based on the RP-2014 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Postretirement mortality rates were based on the RP-2014 Headcount-Weighted Healthy Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2014 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Certain actuarial assumptions used in the June 30, 2017 valuation were based on the results of actuarial experience studies of the State of New Jersey's defined benefit plans, including PERS (July 1, 2011 through June 30, 2014), ABP (using the experience of the Teacher's Pension and Annuity Fund – July 1, 2012 through June 30, 2015), and PFRS (July 1, 2010 through June 30, 2013).

Health Care Trend Assumptions - For pre-Medicare preferred provider organization (PPO) and health maintenance organization (HMO) medical benefits, this amount initially is 5.8% and decreases to a 5.0% long-term trend rate after eight years. For self-insured post-65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 8.0% decreasing to a 5.0% long-term trend rate after seven years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

(7) Accounts Payable and Accrued Expenses

The components of accounts payable and accrued expenses as of June 30, 2019 and 2018 are as follows:

Accounts Payable and Accrued Expenses			
		2019	2018
Vendors and other	\$	17,547,504	19,971,756
Salaries and benefits		9,711,428	8,262,358
Due to State of New Jersey		5,216,879	4,067,049
Compensated absences – current portion		8,289,784	8,041,808
Accrued interest payable		7,840,153	8,265,867
Total accounts payable and accrued expenses	\$	48,605,748	48,608,838

Notes to the Financial Statements as of June 30, 2019 and 2018

(8) Long-term Debt

(a) Bonds Payable

Capital assets are financed through revenue bonds of the New Jersey Educational Facilities Authority (NJEFA), the Camden County Improvement Authority (CCIA) and the Gloucester County Improvement Authority (GCIA). The following obligations were outstanding as of June 30, 2019 and 2018:

Outstanding Bonds Payable			
	Interest rate	2019	2018
NJEFA Series 2007 B Revenue Refunding Bonds, due serially to 2034	3.000%–5.500%	\$ —	4,125,000
CCIA Series 2010 A Build America Bonds, due serially to 2035	5.055%–7.847%	87,185,000	90,590,000
NJEFA Series 2011 C Revenue Refunding Bonds, due serially to 2025	3.000%–5.000%	15,120,000	17,580,000
CCIA Series 2013 A Rowan SOM Revenue Refunding Bonds, due serially to 2032	3.000%–5.000%	23,040,000	23,905,000
CCIA Series 2013 B Rowan SOM Revenue Refunding Bonds due serially to 2032	0.890%–5.160%	20,640,000	22,235,000
GCIA Series 2015 A Revenue Bonds, due serially to 2036	3.250%–5.000%	34,745,000	34,745,000
GCIA Series 2015 B Revenue Refunding Bonds, due serially to 2031	1.500%–5.000%	59,290,000	64,455,000
GCIA Series 2015 C Revenue Bonds, due serially to 2044	4.000%–5.000%	51,550,000	51,550,000
NJEFA Series 2016 C Revenue Refunding, due serially to 2031	2.500%–5.000%	43,200,000	44,735,000
GCIA Series 2017 A Revenue Bonds, due serially to 2033	3.000%–5.000%	73,475,000	73,475,000
GCIA Series 2017 B Revenue Bonds, due serially to 2019	1.850%–2.100%	415,000	4,155,000
GCIA Series 2019 Revenue Bonds, due serially to 2048	4.000%–5.000%	56,600,000	—
		465,260,000	431,550,000
Plus:			
Bond premium		39,672,185	32,730,177
Total bonds payable		\$ 504,932,185	464,280,177

Notes to the Financial Statements as of June 30, 2019 and 2018

Future annual debt service requirements approximate the following:

Bonds Payable Principal and Interest Repayments			
	Principal amount	Interest amount	Total amount
Year ending June 30:			
2020	\$ 18,175,000	23,448,585	41,623,585
2021	20,085,000	22,075,474	42,160,474
2022	23,665,000	20,925,934	44,590,934
2023	21,395,000	19,806,559	41,201,559
2024	23,235,000	18,630,488	41,865,488
2025-2029	129,620,000	73,179,623	202,799,623
2030-2034	104,920,000	42,025,201	146,945,201
2035-2039	53,095,000	20,592,180	73,687,180
2040-2044	48,340,000	10,338,600	58,678,600
2045-2049	22,730,000	1,560,200	24,290,200
	<u>\$ 465,260,000</u>	<u>252,582,844</u>	<u>717,842,844</u>

In July 2016, the NJEFA issued Rowan University Series 2016 C Bonds. The 2016 C revenue refunding bonds totaled \$45,300,000 with coupon rates ranging from 2.500% to 5.000% and maturing through 2031. The proceeds from this bond issuance will be used, along with other available funds, to refund and redeem all of NJEFA's Rowan University Series 2006 G Bonds, defease and redeem all of NJEFA's callable Rowan University 2008 B Bonds and pay the costs and expenses incurred in the issuance of the 2016 C Bonds. On a net present value basis, savings were \$6,962,589 or 13.21% of the par amount of bonds refunded. The refunding resulted in gross debt service cash-flow savings of \$9,834,067.

In August 2015, the GCIA issued Series 2015 C Bonds. The 2015 C bonds totaled \$51,550,000 with coupon rates ranging from 4.000% to 5.000% and maturing through 2044. The proceeds from this bond issuance will be used, along with other available University funds, to finance business and engineering school building projects, fund capitalized interest on the 2015 C issue through July 1, 2017 and pay the costs of issuance.

Funds are on deposit with escrow agents to provide for the payment of principal, interest, and call premiums, when due, on Series 2007 B, Series 2008 B and Series 2009 B Bonds. Accordingly, these bonds are legally outstanding obligations of the University as of June 30, 2019, however are defeased for financial reporting, therefore, they are not reflected in the accompanying financial statements. The principal amounts of these bonds were \$0 and \$62,533,150 as of June 30, 2019 and 2018, respectively.

In July 2017, the Gloucester County Improvement Authority (GCIA) issued Rowan University Series 2017A and 2017B Bonds. The 2017A tax exempt revenue refunding bonds totaled \$73,475,000 with coupon rates ranging from 3.000% to 5.000% and maturing through 2033. The 2017B taxable revenue refunding bonds totaled \$4,155,000 with coupon rates ranging from 1.850% to 2.100% and maturing through 2019. The proceeds from these bond issuance were used to refund and redeem all of NJEFA's Rowan University Series 2007B Bonds and pay the costs and expenses incurred in the issuance of the 2017A and 2017B Bonds.

In May 2019, The Gloucester County Improvement Authority (GCIA) issued Rowan University Series 2019 Bonds. The 2019 tax exempt revenue refunding bonds totaling \$56,600,000 with coupon rates ranging from 4.000% to 5.000% and maturing through 2048. The proceeds from these bond issuance were used to finance a new academic building, design of the Fossil Park, renovations of various facilities,

and cover the issuance cost of the Series 2019 Bonds. The principal amounts of these bonds were \$56,600,000 as of June 30, 2019.

(b) Capital Lease Obligation

In 2008, the University entered into a lease agreement with SORA Housing LLC (SORA). SORA constructed two four story student housing facilities with a total of 242 units, consisting of 884 total beds, on a leasehold interest in land that was conveyed to SORA by the Borough of Glassboro. SORA agreed to lease the land, the facilities and the facilities equipment together with the fixtures, improvements and equipment to the University. Rental payments are due in semiannual installments on September 1 and February 1, each year. The University has a capital lease payable as of June 30, 2019 and 2018 in the amount of \$72,781,720 and \$72,010,025, respectively.

In 2008, the University entered into a lease agreement with SORA RETAIL LLC (SORA). SORA constructed an approximately thirty six thousand square foot two story building for use as a university bookstore and other uses compatible with a university bookstore. The bookstore, which also contains a coffee shop, is being sub-leased to Barnes & Noble College Booksellers, Inc. Rental payments are due in monthly installments. The University has a capital lease payable as of June 30, 2019 and 2018 in the amount of \$11,908,506 and \$11,762,987, respectively.

In 2011, the University entered into a lease agreement with SORA A-1 Housing Urban Renewal Entity, LLC (SORA). SORA constructed a mixed-use building on land it owns in Glassboro, New Jersey. The building consists of a five-story, mid-rise apartment building with ground floor retail. Within this building, on the second through fifth floor, SORA constructed apartment units, classrooms, offices and other administrative spaces. The administrative space, in addition to classrooms and offices, includes lounges, study rooms, recreational rooms together with all common elements, including elevators, laundry facilities, recreational and fitness facilities and other amenities. The University's lease pertains to the apartment units and administrative areas only. The apartment units are being occupied by University honor students and consist of 280 beds. Rental payments are due in semi-annual installments on September 1 and February 1, each year. The University has a capital lease payable as of June 30, 2019 and 2018 in the amount of \$34,498,291 and \$34,234,100, respectively.

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

In April 2012, the University entered into a lease agreement with Nexus Holdings, LLC (Nexus). Nexus constructed a multi-level parking garage consisting of approximately 1,200 parking spaces. The construction started in July 2012 and was completed for the Fall 2013 semester. The University's lease pertains to the use of 900 parking spaces as well as the use of all common areas of the parking garage. The term of the lease shall be for a period of thirty years and started on the date when the facility became ready for occupancy. At the completion of the lease term, the University will have the option of extending the lease for an additional four terms of ten years each. The University will have the option to purchase 900 spaces in the garage at fair market value at any time within the first five years after the expiration of the initial term of the lease. The University has a capital lease payable as of June 30, 2019 and 2018 in the amount of \$21,424,348 and \$21,496,019, respectively.

Notes to the Financial Statements as of June 30, 2019 and 2018

In April 2012, the University entered into a second lease agreement with Nexus to construct a five-story retail, classroom and office building. The construction started in July 2012 and was completed for the Fall 2013 semester. The University's lease pertains to the second through fifth floors, which will contain classrooms and office space, as well as the central lobby of the building and the lobby and stairwells connecting the building to an adjacent parking garage. The first floor of the building will be for retail operations. The term of the lease will be for a period of twenty years and started on the date when the facility became ready for occupancy. The University will have the option to purchase the leased portion of the property, at the end of the term, for \$1.00 consideration. The University has a capital lease payable as of June 30, 2019 and 2018 in the amount of \$14,544,868 and \$15,043,597, respectively.

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

Capital Lease Principal and Interest Payments			
	Principal amount	Interest amount	Total amount
Year ending June 30:			
2020	\$ (359,977)	14,762,768	14,402,791
2021	(125,746)	14,795,419	14,669,673
2022	157,100	14,805,217	14,962,317
2023	484,670	14,787,565	15,272,235
2024	917,612	14,735,555	15,653,167
2025-2029	12,082,544	71,401,624	83,484,168
2030-2034	30,469,508	62,067,742	92,537,250
2035-2039	55,079,812	43,217,038	98,296,850
2040-2044	56,452,212	10,198,149	66,650,361
	<u>\$ 155,157,735</u>	<u>260,771,077</u>	<u>415,928,812</u>

(c) Other Long-Term Debt

Other long-term debt consists of the following:

- (A) The Higher Educational Capital Improvement Fund Act was established to finance capital improvements and related costs at public and private institutions of higher education within the State. Funding was provided from bonds issued by the New Jersey Educational Facilities Authority (Authority). The total University allocation for this program was \$23,887,250. The University is required to pay 1/3 of the debt service on its allocation of the bond proceeds, plus administrative fees of the trustees and the Authority. The outstanding balance as of June 30, 2019 and 2018 is \$3,026,003 and \$3,557,535, respectively, with maturities through August 15, 2022.
- (B) As a result of the New Jersey Medical and Health Sciences Education Restructuring Act, Higher Educational Capital Improvement Fund Act outstanding debt of UMDNJ, related to SOM, was transferred to the University on July 1, 2013. The outstanding balance on this debt, as of June 30, 2019 and 2018 is \$684,957 and \$1,010,908, respectively.
- (C) In July 2013, the University received notification of an institutional grant award from the New Jersey Higher Education Capital Facilities Grant Program. The University was awarded \$26.6 million from the Higher Educational Capital Improvement Fund Act. The University is required to pay 1/3 of the debt service on its allocation of the bond proceeds plus administrative fees of the Trustees and the Authority. The outstanding balance as of June 30, 2019 and 2018 is \$7,064,199 and \$7,377,756, respectively, with maturities through August 15, 2033.

Notes to the Financial Statements as of June 30, 2019 and 2018

- (D) In July 2013, the University received notification of an institutional grant award from the New Jersey Higher Education Capital Facilities Grant Program. The University was awarded \$0.75 million from the Higher Education Equipment Leasing Fund. The University is required to pay 1/4 of the debt service on its allocation of the bond proceeds plus administrative fees of the Trustees and the Authority. The outstanding balance as of June 30, 2019 and 2018 is \$82,721 and \$101,009, respectively.
- (E) In July 2016, the University was notified by the State that it was awarded a \$16 million dollar grant under the Higher Education Capital Improvement Fund Act. Funding was provided from bonds issued by the New Jersey Educational Facilities Authority. The grant is to be used to fund two projects: (1) Facilities Adaptive Reuse Program for Academic Space Expansions and (2) Joint Health Sciences Center Expansion. The University is required to pay 1/3 of the debt service on its allocation of the bond proceeds. The outstanding balance as of June 30, 2019 and 2018 is \$4,936,140 and \$5,103,455, respectively, with maturities through August 15, 2036.
- (F) In August 2017, the University entered into a loan with NEXUS Properties in the amount of \$2,693,846 with an interest rate of 4.88% for a term of 15 years. The loan is for the fit-out of the classroom portion of the A-3 building situated at Victoria Street and Mick Drive in the Borough of Glassboro. The University paid the outstanding balance in the amount of \$2,504,137 for this loan on January 14, 2019. There is no outstanding balance as of June 30, 2019. The outstanding balance as of June 30, 2018 was \$2,579,510 with principle and interest due monthly.

Principal and interest payments for these obligations are as follows:

Other Long Term Debt Principle and Interest Repayments			
	Principal amount	Interest amount	Total amount
Year ending June 30:			
2020	\$ 1,404,956	656,316	2,061,272
2021	1,452,149	606,208	2,058,357
2022	1,526,455	551,892	2,078,347
2023	1,587,236	493,231	2,080,467
2024	615,777	446,992	1,062,769
2025-2029	3,542,400	1,771,223	5,313,623
2030-2034	4,499,612	875,345	5,374,957
2035-2037	1,165,435	89,346	1,254,781
	<u>\$ 15,794,020</u>	<u>5,490,553</u>	<u>21,284,573</u>

Notes to the Financial Statements as of June 30, 2019 and 2018

(d) Long Term Obligations

Changes in long-term obligations for the year ended June 30, 2019 and 2018 are as follows:

2019					
Long-term Obligations Rollforward					
	Beginning balance	Additions	Reductions	Ending balance	Due within One Year
Bonds payable, including swap liability	\$ 464,280,177	70,014,460	25,744,107	508,550,530	18,175,000
Other long-term debt	19,730,173	1,338,355	5,274,508	15,794,020	1,404,955
Capital lease obligation	154,546,728	—	(611,006)	155,157,734	(359,976)
Total long-term obligations	\$ 638,557,078	71,352,815	30,407,609	679,502,284	19,219,979

2018					
Long-term Obligations Rollforward					
	Beginning balance	Additions	Reductions	Ending balance	Due within One Year
Bonds payable	\$ 481,194,304	91,297,549	108,211,676	464,280,177	22,890,000
Other long-term debt	18,379,099	2,579,511	1,228,437	19,730,173	1,487,273
Capital lease obligation	153,646,921	—	(899,807)	154,546,728	(611,006)
Total long-term obligations	\$ 653,220,324	93,877,060	108,540,306	638,557,078	23,766,267

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

The GCIA 2015 A, GCIA 2015 B, GCIA 2015C, NEFA 2016C, GCIA 2017A, GCIA 2017B, GCIA 2019 series contain provisions that, in the event of default, the bondholders have the right to request all outstanding amounts of their respective bond in default immediately. The CCIA 2010A, NEFA 2011C, CCIA 2013 A, and CCIA 2013B series are secured with the collateral of their respective financed projects. The default remedy allows the respective issuer to refit the building and sublet the property until all outstanding amounts have been recovered, including the refit costs. The capital lease arrangements with Nexus for a multi-level parking garage and a five-story retail, classroom, and office building contain provisions that, in the event of default, the leaseholder has the right to terminate the lease and sell privately or publicly, the goods, fixtures, or other personal property, as well as cancel the respective purchase options at the end of the lease. The 2016A and CIF 2016B grants from the Higher Education Capital Improvement Fund Act include provisions that, in the event of default, the issuer has the right to request the forfeiture of all the unused grant funds and the repayment of all used funds, with a credit for any principal payments already made by the University, with respect to the issuance in default. The 2014 grant from the New Jersey Higher Education Capital Facilities Grant Program contains a provision that, in the event of a default, the State is allowed to withhold appropriations to recover the amount owed. The 2013 grant from the Higher Education Equipment Leasing Fund contains a provision that, in the event of a default, the State is allowed to sublet the equipment until it recovers the amounts owed. The 2002A long-term debt obligation transferred from UMDNJ contains a provisions that, in the event of default, the bondholders have the right to request all outstanding amounts of their respective bond in default immediately.

Notes to the Financial Statements as of June 30, 2019 and 2018

(9) Derivative Instruments

The University has entered into a pay-fixed, receive-variable interest rate swap in order to protect against adverse changes in cash flows caused by variable prices, costs, rates, or terms that cause future prices to be uncertain. These swaps are valued using a market approach that considers benchmark interest rates and are classified in Level 2 of the fair value hierarchy.

The fair value and notional amounts of derivative instruments outstanding at June 30, 2019 and 2018 were as follows:

Derivative Instruments					
		2019		2018	
		Notional Amount	Fair Value	Notional Amount	Fair Value
Investment derivatives:					
Pay-fixed interest rate swaps	\$	72,595,000	(3,618,344)	-	-
Total Derivative instruments - swap liability	\$	72,595,000	(3,618,344)	-	-

In accordance with GASB Statement No. 53, an interest rate swap is considered an effective cash flow hedge if the swap payment received substantially offsets the payment made on the associated debt and changes in fair value are deferred as either a deferred outflow or a deferred inflow of resources. An interest rate swap that is not considered an effective cash flow hedge, in accordance with the provisions of the Statement, is deemed to be an investment derivative instrument and changes in fair value are recorded as net investment income (loss). For the fiscal year ending June 30, 2019, the fair value of investment derivative instruments decreased \$3,618,344. For the fiscal year ended June 30, 2018, the University did not have any derivative instruments.

For the year ended June 30, 2019, the University had one derivative instrument outstanding.

Swap #	Type	Objective	National Amount 2018	Effective Date	Termination Date	Terms	Counterparty Credit Rating (Moody's/S&P)	Fair value	Change in Fair Value from 2018
1	Pay fixed, receive variable interest rate swap	Hedge of changes in cash flows on fixed-rate General Obligation Bond	\$ 72,595,000	1/1/2021	7/1/2035	Pay fixed 2.2885%, receive 80% of 3 month LIBOR	Aa2/AA	\$ (3,618,344)	(3,618,344)

For the year ended June 30, 2018, the University did not have any derivative instruments.

Risk

The use of derivatives may introduce certain risks for the University, including the following:

Credit Risk:

As of June 30, 2019, the University was not exposed to credit risk with its swap counterparties because all of the swaps had negative fair values.

To mitigate credit risk, the University and the counterparty require the posting of collateral based on their respective credit rating. The amount of such collateral shall equal the market value of the swap in excess

Notes to the Financial Statements as of June 30, 2019 and 2018

of the applicable collateral threshold based on the rating of such counterparty at such time. The collateral threshold for the University is \$10,000,000.

As of June 30, 2019, the University's Credit ratings by Moody's and S&P was A2 and A, respectively. The market value of the swap, (\$3,614,344) is below the \$10.0 million threshold, as such there is no requirement for collateral at this time.

Basis Risk:

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

Rollover Risk:

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

Termination Risk:

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

(10) Noncurrent Liabilities

Noncurrent liabilities activity for the year ended June 30, 2019 and 2018 was as follows:

2019						
Noncurrent Liabilities Activity						
	Beginning balance	Additions	Reductions	Ending balance	Current portion	Non-current portion
Compensated absences	\$ 10,395,372	8,710,505	8,041,808	11,064,069	8,289,784	2,774,285
Unearned revenue	31,950,795	21,290,510	22,799,696	30,441,609	28,161,014	2,280,595
Other liabilities	2,661,725	—	132,791	2,528,934	812,400	1,716,534
Repurchase liability	3,220,000	—	—	3,220,000	—	3,220,000
Deposits held in custody for others	2,134,428	2,739,054	2,737,112	2,136,370	—	2,136,370
Net pension liability	313,603,691	17,965,579	39,477,612	292,091,658	—	292,091,658
Bonds payable	464,280,177	65,942,096	25,290,086	504,932,187	18,175,000	486,757,187
Other long-term debt	19,730,173	1,338,355	5,274,508	15,794,020	1,404,956	14,389,064
Capital lease obligation	154,546,728	—	(611,005)	155,157,733	(359,977)	155,517,710
Derivative instruments - swap	—	3,618,344	—	3,618,344	—	3,618,344
Total noncurrent liabilities	\$ 1,002,523,089	121,604,443	103,142,608	1,020,984,924	56,483,177	964,501,747

Notes to the Financial Statements as of June 30, 2019 and 2018

2018 Noncurrent Liabilities Activity						
	Beginning balance	Additions	Reductions	Ending balance	Current portion	Non-current portion
Compensated absences	\$ 10,440,957	8,120,972	8,166,557	10,395,372	8,041,808	2,353,564
Unearned revenue	35,080,792	19,964,779	23,094,776	31,950,795	22,799,693	9,151,102
Other liabilities	658,556	2,003,169	—	2,661,725	—	2,661,725
Repurchase liability	3,220,000	—	—	3,220,000	—	3,220,000
Deposits held in custody for others	1,685,482	3,022,301	2,573,355	2,134,428	—	2,134,428
Net pension liability	355,619,853	22,616,860	64,633,022	313,603,691	—	313,603,691
Bonds payable	481,194,304	91,297,549	108,211,676	464,280,177	22,890,000	441,390,177
Other long-term debt	18,379,099	2,579,511	1,228,437	19,730,173	1,487,273	18,242,900
Capital lease obligation	153,646,921	—	(899,807)	154,546,728	(611,006)	155,157,734
Total noncurrent liabilities	\$ 1,059,925,964	149,605,141	207,008,016	1,002,523,089	54,607,768	947,915,321

(11) Professional Services and Contract Revenues

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

The components of net professional services and contract revenues for the year ended June 30, 2019 and 2018 are as follows:

Net Professional Services and Contracts Revenue			2019	2018
Faculty practice revenues:				
Gross charges	\$	53,496,439	57,107,819	
Contractual and other allowances		(24,124,573)	(25,403,863)	
Provision for bad debts		(971,956)	(1,094,471)	
Bad debt recovery		172,281	212,141	
Total faculty practice		28,572,191	30,821,626	
House staff and affiliation revenues:				
House staff billings		20,443,158	20,674,083	
Affiliation billings		2,598,250	2,598,241	
Total house staff and affiliation		23,041,408	23,272,324	
Total net professional services and contract revenues	\$	51,613,599	54,093,950	

Notes to the Financial Statements as of June 30, 2019 and 2018

Gross charges pertain to the following payers:

Faculty Practice Plan Gross Charges		
	2019	2018
Medicare	36 %	35 %
Medicaid and Medicaid HMO	17	18
Contracts	15	16
Other third party payors	30	29
Uninsured, charity care and self pays	2	2
	100 %	100 %

Faculty practice gross accounts receivable pertain to the following payers:

Faculty Practice Plan Accounts Receivable		
	2019	2018
Medicare	35 %	38 %
Medicaid and Medicaid HMO	25	18
Contracts	21	33
Other third party payors	17	10
Self pays	2	1
	100 %	100 %

(12) Commitments and Contingencies

(a) Operating Leases

The University leases certain space and equipment used in general operations. Rental expense was approximately \$3,451,000 and \$2,947,000 during fiscal year 2019 and 2018, respectively. Future minimum annual rental commitments approximate the following:

Operating Lease Future Commitments	
Year ending June 30:	Amount
2020	\$ 2,827,884
2021	2,554,604
2022	2,192,932
2023	2,315,987
2024	1,289,076
2025 and thereafter	13,875,726
	<u>\$ 25,056,209</u>

(b) Compensated Absences

The University recorded a liability for accumulated vacation time in the amount of approximately \$8,290,000 and \$8,042,000 as of June 30, 2019 and 2018, respectively, which is included in accounts payable and accrued expenses in the accompanying statements of net position. The liability is calculated based upon employees' accrued vacation leave as of the statements of net position date.

Payments for accumulated sick leave balances are made to retiring employees upon regular retirement. The payment is based on 50% of the employee's sick leave accumulation, at the pay rate in effect at the time of retirement up to a maximum of \$15,000. Employees separating from University service prior to retirement are not entitled to payments for accumulated sick leave balances. Accordingly, the University recorded a liability for accumulated sick leave balances in the amount of approximately \$2,390,000 and \$1,950,000 as of June 30, 2019 and 2018, respectively, which is included in compensated absences in the accompanying statements of net position.

During fiscal year 2010, bargaining unit employees were required to take seven unpaid furlough days. Three of these days were banked for either future use or pay out upon separation. A liability for the accumulated leave bank in the amount of approximately \$385,000 and \$403,000 as of June 30, 2019 and 2018, respectively, is recorded in compensated absences in the accompanying statements of net position.

(c) Risk Management

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

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

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

The following policies of insurance are maintained for the University's separately incorporated 501 (c)(3) auxiliary organizations (New Jersey Statutes Title 18A Education provides each auxiliary organization with the power to "sue and be sued" (N.J.S.A. 18A:64 30) and directs them to procure their own legal representation because they will not be represented by the State of New Jersey Office of Attorney General (N.J.S.A. 18A:64 35), thereby exempting them from protection under the New Jersey

Tort Claims Act): Director's and Officer's Liability in the amount of \$5,000,000 with a per occurrence deductible of \$25,000; General Liability in the amount of \$1,000,000 per occurrence with a \$3,000,000 annual aggregate and a per occurrence deductible of \$75,000, which also extends coverage to Rowan student educational programs and activities; and excess liability in the amount of \$20,000,000 which responds above the General Liability policy, and the University's Student Professional Liability policy referenced above, and also provides difference in conditions coverage to the University to cover any gaps in Tort Claims liability protection.

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

(d) Medical Malpractice Self-Insurance Fund

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

Payment of claims (indemnity and expenses) from the Fund totaled \$2,805,194 and \$1,633,542 in fiscal year 2019 and 2018, respectively, for SOM. The University contributes \$3,250,000 per year to the fund. Of this amount for fiscal 2019, \$2,437,500 was paid while the remaining \$812,500 is included in accounts payable and accrued expenses as of June 30, 2019. The final payment for fiscal year 2019 was made July 10, 2019. Of the amount owed for fiscal 2018, \$2,437,500 was paid while the remaining \$812,500 was included in accounts payable and accrued expenses at June 30, 2018.

(e) Voluntary Compliance Plan

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

(f) Other Contingencies

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

(g) Service Concession Arrangement for the Student Housing Facility

(i) Ground Lease

On April 30, 2015, the University entered into a ground lease with Provident Group – Rowan Properties LLC (Provident) to develop, construct and operate a student housing facility (the Project), consisting of an approximately 1,415 bed student housing facility including a shell for a residential dining facility, with all buildings, improvements, fixtures, furnishing, equipment and amenities necessary for the operation thereof on certain real property located on the campus (the Land), along with associated site infrastructure and various related amenities, utilities and improvements within

and outside the Land. The term of the ground lease is 37 years and commenced on April 30, 2015 with no option to renew or extend by Provident. Upon termination of the ground lease, all rights, title and interest to the Project shall automatically and immediately vest in the University. The base annual rent is equal to the net surplus cash flow for the immediately preceding period.

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

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

(ii) *Project Development Agreement*

On April 30, 2015 (the Effective Date), University Student Living, LLC (the Developer) and Provident entered into a project development agreement to design and construct the student housing facility, as defined as the Project, for the benefit of and furtherance of the educational mission of Rowan University. The term of the agreement begins with the Effective Date and will terminate upon Developer's fulfillment of the services and obligations under the agreement, which was deemed substantially complete as of July 22, 2016. The agreement is subject to a guaranteed maximum price for development costs of \$92.0 million, subject to approved change orders. If the development costs of the final completed project exceed the guaranteed maximum price, the Developer is solely responsible for and will pay any excess costs from its own funds. All fees due to the Developer are the responsibility of Provident.

(iii) *Management Agreement*

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

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

(iv) *Dining Facility Sublease*

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

(v) *Recognition*

During fiscal year 2017, the construction of the student housing facility was completed and the new facility – Holly Pointe Commons– was placed into service. Under the ground lease service concession arrangement, the University recognized \$114.8 million in net capital assets as well as net deferred inflows of resources. Additionally, the University recognized \$6.1 million in net capital assets and net deferred inflows of resources related to the dining facility sublease, as well as \$2.3 million of operating auxiliary enterprises revenue as outlined in the Management Agreement.

(vi) *Nature and Extent of Rights*

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

(h) *Camden Housing Project*

In April 2014, the University entered into an agreement regarding Development of Housing and Related Guaranty of Rental Payment with Broadway Housing Partners LLC (the Developer) to purchase and redevelop the properties in the immediate vicinity of the Cooper Medical School of Rowan University. These properties contain approximately fifty-six residential rental units, which the Developer intends to lease to University students as fair market rental housing, and, with regard to any units that are not leased to University students, to any other qualified renters, so as to maximize occupancy of the units in the project. As the University directly benefits from the redevelopment of the properties, the University warrants to pay the Developer on an annual basis the difference between ninety-five percent of aggregate standard rent and the aggregate rent collected. There is no cap of these shortfall payments during the

initial term (years 1–10). During the second term (years 11–20), as the rent increases, in year 11 the shortfall payment shall not exceed \$300,000; and in each calendar year thereafter the cap shall be increased by a percentage equal to the percentage increase in the CPI index. The University's shortfall payments will not exceed the aggregate amount of \$2,500,000 over the course of the second term. The University shall have no obligation to pay any amounts to the Developer for the periods after the expiration of the second term. The first rental year began on August 1, 2015. The University made \$312,266 and \$544,295 shortfall payments during fiscal year 2019 and 2018, respectively.

(i) Glassboro Housing Project

In November 2016, December 2016, and April 2017 the University entered into agreements with Urban Renewal, LLC (the Developer) for affiliated student housing in Glassboro NJ. These three properties provide housing for approximately 1,619 students. As the University directly benefits from the development of the properties, the University warrants to pay the Developer on an annual basis the difference between ninety-five percent of aggregate standard rent and the aggregate rent collected for each agreement. The ninety-five percent annual guaranty amount for all three properties extends through the spring semester of 2024. The University is due a placement fee per bed up to the ninety-five percent of student units. This amount may be deducted from any shortfall payment the University may need to make. The University received a \$383,910 payment from the Developer for placement fees net of the shortfall obligation and made a shortfall payment net of the placement fees to the Developer of \$85,356, for the fiscal years 2019 and 2018, respectively.

(j) Inspira Health Network

The University entered into a Purchase and Sale Agreement with Inspira Health Network (Inspira) for certain property owned by the University for \$11.5 million during fiscal year 2016. In conjunction with the transaction, the University and Inspira also entered into a Repurchase and Right of First Refusal Agreement, whereas the University has the option to repurchase the property if Inspira has not commenced efforts to develop the land by the fourth anniversary of the closing and further, the University has the option to repurchase undeveloped portions of the property after 20 years from the date of the closing. On May 24, 2017, Inspira broke ground on the medical center project planned for the 100-acre parcel property purchased from the University. The first phase of the medical center is expected be approximately 467,000 square feet which will allow for additional development over time. The portion of the property currently under construction represents approximately 72% of the overall property cost. As a result, the University recognized the partial land sale of \$8,280,000, a gain of \$830,817, as well as \$900,000 in contribution revenue for the appraised market value of the donated land from Harrison Township and reduced the original repurchase liability from \$12,400,000 as of June 30, 2016 to \$3,220,000 as of June 30, 2017. As of June 30, 2019 and 2018, the University has a repurchase liability of \$3,220,000.

(k) Camden Garage

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

operate the land for the sole and exclusive purpose of developing and constructing the Project and operating the Project as a parking facility.

(I) *Parking License Agreement*

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

(13) Rowan University Foundation

(a) *Component Unit*

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

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

During the year ended June 30, 2019 and 2018 the University received \$10,928,523 and \$11,061,684, respectively, from the Foundation. Complete financial statements of the Foundation can be obtained from the Office of the Chief Financial Officer, Rowan University, Glassboro, New Jersey.

Notes to the Financial Statements as of June 30, 2019 and 2018

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

As of June 30, 2019 and 2018, the Foundation's cash, cash equivalents and investments are reported on the statements of net position as follows:

Cash, Cash Equivalents, and Investments		
	2019	2018
Cash and cash equivalents	\$ 5,181,332	8,473,779
Restricted cash and cash equivalents	2,814,142	4,131,810
	<u>\$ 7,995,474</u>	<u>12,605,589</u>
Investments	\$ 49,672,329	49,040,374
Restricted investments	26,978,584	23,912,057
Restricted nonexpendable investments	151,168,226	142,989,315
	<u>\$ 227,819,139</u>	<u>215,941,746</u>

Cash, cash equivalents, restricted nonexpendable investments and investments consist of the following as of June 30, 2019 and 2018:

Cash, Cash Equivalents, and Investments		
	2019	2018
Cash and cash equivalents:	\$	
Cash	4,538,370	3,480,896
Money market funds	3,457,104	9,124,693
	<u>\$ 7,995,474</u>	<u>12,605,589</u>
Investments:		
Bond mutual funds (domestic)	\$ 27,480,235	22,256,803
Common stock mutual funds (domestic)	75,533,231	85,676,939
Common stock mutual funds (international)	47,749,263	42,892,144
Venture capital investments	2,643,800	1,876,950
Alternative investments	74,412,610	63,238,910
	<u>\$ 227,819,139</u>	<u>215,941,746</u>

For the year ended June 30, 2019 and 2018, the increase in fair value on investments was \$6,669,041 and \$10,640,563, respectively and the net realized gain on investments for June 30, 2019 and 2018 was \$4,924,956 and \$6,360,481, 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

Notes to the Financial Statements as of June 30, 2019 and 2018

to \$7,935,997 and \$12,615,771 as of June 30, 2019 and 2018, respectively. Of this amount, \$260,630 and \$365,678 was FDIC insured, leaving an uninsured and uncollateralized balance of \$7,675,367 and \$12,250,093.

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 Poors (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, 2019 and 2018, 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, 2019 and 2018 are as follows:

2019 Foundation Investments' Average Duration		
Investment type	Fair value	Average effective duration
Bond mutual funds (domestic)	\$ 7,457,251	5.31 years
Bond mutual funds (domestic)	8,430,248	5.71 years
Bond mutual funds (domestic)	7,366,190	5.68 years
Bond mutual funds (domestic)	4,105,215	-2.82 years
Bond mutual funds (domestic)	121,331	5.73 years
Total	\$ 27,480,235	

2018 Foundation Investments' Average Duration		
Investment type	Fair value	Average effective duration
Bond mutual funds (domestic)	\$ 6,894,043	5.67 years
Bond mutual funds (domestic)	4,446,773	6.13 years
Bond mutual funds (domestic)	6,870,963	6.05 years
Bond mutual funds (domestic)	155,933	6.03 years
Bond mutual funds (domestic)	3,889,091	-1.14 years
Total	\$ 22,256,803	

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 prices other than those included within Level 1 and other inputs that are observable for an asset or liability, either directly or indirectly.
- Level 3 – pricing inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity or the investment.

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

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

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

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

Notes to the Financial Statements as of June 30, 2019 and 2018

The Foundation's financial instruments at June 30, 2019 are summarized in the following table by their fair value hierarchy:

Foundation Financial Instruments Fair Value Hierarchy				
	Total	Level 1	Level 2	Level 3
Investments measured at fair value:				
Bond mutual funds (domestic)	\$ 27,480,235	27,480,235	—	—
Common stock mutual funds (domestic)	75,430,884	75,430,884	—	—
Common stock mutual funds (international)	47,749,263	47,749,263	—	—
Common stock	102,347	—	—	102,347
Venture capital investments	2,643,800	—	—	2,643,800
Subtotal	153,406,529	\$ 150,660,382	—	2,746,147
Investments measured at net asset value:				
Absolute return	32,455,426			
Private equity	27,491,854			
Realty investments	14,465,330			
Subtotal	74,412,610			
Total cash equivalents and investments	\$ 227,819,139			

Notes to the Financial Statements as of June 30, 2019 and 2018

The Foundation's financial instruments at June 30, 2018 are summarized in the following table by their fair value hierarchy:

Foundation Financial Instruments Fair Value Hierarchy				
	Total	Level 1	Level 2	Level 3
Investments measured at fair value:				
Bond mutual funds (domestic)	\$ 22,256,803	22,256,803	—	—
Common stock mutual funds (domestic)	85,676,939	85,676,939	—	—
Common stock mutual funds (international)	42,892,144	42,892,144	—	—
Venture capital investments	1,876,950	—	—	1,876,950
Subtotal	152,702,836	\$ 150,825,886	—	1,876,950
Investments measured at net asset value:				
Absolute return	32,393,018			
Private equity	19,667,196			
Realty investments	11,178,696			
Subtotal	63,238,910			
Total cash equivalents and investments	\$ 215,941,746			

Investments Measured at NAV

The following table represents the unfunded commitments and redemption terms by investment type as of June 30, 2019:

Investments Measured at NAV				
	Fair value	Unfunded commitments	Redemption frequency (if currently eligible)	Redemption notice period
Absolute return ^(a)	\$ 32,455,426	None	Quarterly	65–100 days
Private equity ^(b)	27,491,854	25,251,000	Illiquid	Not applicable
Realty investments ^(c)	14,465,330	8,969,000	Illiquid	Not applicable
	\$ 74,412,610			

Notes to the Financial Statements as of June 30, 2019 and 2018

The following table represents the unfunded commitments and redemption terms by investment type as of June 30, 2018:

Investments Measured at NAV				
	Fair value	Unfunded commitments	Redemption frequency (if currently eligible)	Redemption notice period
Absolute return ^(a)	\$ 32,393,018	None	Quarterly	65–100 days
Private equity ^(b)	19,667,196	16,389,000	Illiquid	Not applicable
Realty investments ^(c)	11,178,696	11,398,000	Illiquid	Not applicable
	<u>\$ 63,238,910</u>			

- (a) Absolute return includes 4 hedge funds as of June 30, 2019 and 2018. The funds that seek to achieve capital appreciations through various strategies, including long/short equity, long/short credit, relative value and other market neutral strategies. For one of the investments valued at \$13.9 million as of June 30, 2019, redemptions are restricted due to lockup provisions through March 31, 2020, whereas the remaining 75% of the investment will be released from restriction equally at the end of each quarter end. The remaining investments are redeemable as disclosed above.
- (b) Private equity includes 16 and 13 funds as of June 30, 2019 and 2018, 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 11 years with possible extensions for nine funds. Capital is distributed to investors as the funds' investments are liquidated over that time period.
- (c) Realty investments include a total of 9 and 8 funds as of June 30, 2019 and 2018, respectively. One of the investments is an open end fund that has quarterly liquidity with 90 days' notice. 6 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 2 to 6 years with possible extensions for three funds. Capital is distributed to investors as the funds' investments are liquidated over that time period.

(c) Restricted Nonexpendable Net Position

Restricted nonexpendable net position as of June 30, 2019 and 2018 consists of the following:

Restricted Nonexpendable Net Position		
	2019	2018
Henry and Betty Rowan for general operations	\$ 97,000,118	97,000,118
Henry M. Rowan College of Engineering Endowment	17,000,000	15,000,000
Jean & Ric Edelman Fossil Park Endowment	5,988,777	3,497,442
Rohrer College of Business	3,597,255	3,096,955
Keith and Shirley Campbell Endowment to support library operations	1,641,896	1,641,896
Thomas N. Bantivoglio Honors Program for scholarships	1,373,347	1,343,347
John B. Campbell Professorial Chair	1,176,282	1,176,282
Rohrer Scholars for scholarships	1,080,932	1,080,932
Lawrence & Rita Salva Medical School	1,010,250	1,010,250
William G. Rohrer Professorial Chair in the College of Business	1,000,000	1,000,000
King Family Professorial Chair	1,000,000	1,000,000
CMSRU Student Loan Assistance Program	1,000,000	1,000,000
Inspira Health Network Endowed Fund	1,000,000	1,000,000
Endowed Chair for Geriatrics	1,000,000	1,000,000
Henry M. Rowan Endowment for Engineering Scholarship	1,000,000	—
Other endowment funds	15,299,369	13,142,093
	<u>\$ 151,168,226</u>	<u>142,989,315</u>

(14) South Jersey Technology Park at Rowan University, Inc.

Component Unit

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

(a) Related Party Transactions

Lease Agreements

In fiscal year 2008, the University Board of Trustees approved a long-term lease agreement for the SJTP to use a parcel of land owned by the University. The lease commenced on January 1, 2008 and is for 50 years with a renewal term of 20 years. Under the lease agreement, SJTP is to pay \$1,000 each year. The rental payment of \$1,000 is included in professional and other services expenses in the accompanying statement of revenues, expenses, and changes in net position for fiscal years 2019 and 2018.

The University Board of Trustees approved a lease agreement by and between the University and the SJTP to lease the first floor of the Samuel H. Jones Innovation Center to support its educational mission. Beginning July 16, 2016, the University also assumed the lease for the second floor of the Innovation Center and intends to conduct renovations to increase wet lab space for the University. For the year ended June 30, 2019 and 2018, SJTP recognized \$1,161,544 and \$1,135,604, respectively, in rental income related to this lease agreement. The University also reimbursed SJTP \$150,984 and \$148,234 for utility charges associated with this lease for fiscal year 2019 and 2018.

Business Operating Agreement

SJTP and the University entered into a business operating agreement for the University to provide certain services and functions to SJTP. SJTP pays the University for these services and functions which include salaries and benefits of employees who perform functions for SJTP, accounting services, custodial services, repairs and maintenance, and other indirect charges. The charges amounted to \$408,606 and \$397,674 for fiscal year 2019 and 2018, respectively, and are reflected in professional and other services expenses in the accompanying statements of revenues, expenses, and changes in net position.

(15) Subsequent Events

On October 7, 2019, Rowan University entered into an agreement with Rowan College of South Jersey (RCSJ) to collaborate in the development of a facility designed to allow the expansion of the University’s School of Osteopathic Medicine and the expansion of certain physician practices. RCSJ will develop and construct a building to be leased by the University for these purposes.

ROWAN UNIVERSITY
(A Component Unit of the State of New Jersey)
Required Supplementary Information (Unaudited)
Schedules of Employer Contributions
June 30, 2019

Public Employees' Retirement System	2019	2018	2017	2016	2015
Contractually required contribution	\$ 9,320,515	7,325,414	5,331,193	3,690,074	2,386,805
Contributions in relation to the contractually required contribution	<u>9,320,515</u>	<u>7,325,414</u>	<u>5,331,193</u>	<u>3,690,074</u>	<u>2,386,805</u>
Contribution deficiency (excess)	\$ <u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
University employee covered-payroll	\$ 53,123,772	50,762,197	52,135,711	50,275,748	51,495,300
Contributions as a percentage of employee covered payroll	17.54 %	14.43 %	10.23 %	7.34 %	4.63 %
Police and Firemen's Retirement System	2019	2018	2017	2016	2015
Contractually required contribution	\$ 1,248,845	1,069,699	805,419	545,161	268,537
Contributions in relation to the contractually required contribution	<u>1,248,845</u>	<u>1,069,699</u>	<u>805,419</u>	<u>545,161</u>	<u>268,537</u>
Contribution deficiency (excess)	\$ <u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
University employee covered-payroll	\$ 1,974,471	1,901,881	1,960,579	1,918,325	2,066,181
Contributions as a percentage of employee covered payroll	63.25 %	56.24 %	41.08 %	28.42 %	13.00 %

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

See accompanying independent auditors' report.

ROWAN UNIVERSITY
(A Component Unit of the State of New Jersey)
Required Supplementary Information (Unaudited)
Schedules of Proportionate Share of the Net Pension Liability
June 30, 2019

Public Employees' Retirement System	2019	2018	2017	2016	2015
University proportion of the net pension liability – State Group	1.157 %	1.152 %	1.147 %	1.058 %	1.184 %
University proportion of the net pension liability – Total Plan	0.632	0.604	0.571	0.544	0.613
University proportionate share of the net pension liability	\$ 274,241,746	295,481,815	337,030,671	251,080,946	238,238,870
University employee covered-payroll	50,762,197	52,135,711	50,275,748	51,495,300	50,121,737
University proportionate share of the net pension liability as a percentage of the employee covered-payroll	540.2 %	566.8 %	670.4 %	487.6 %	475.3 %
Plan fiduciary net position as a percentage of the total pension liability	40.45 %	36.78 %	31.20 %	38.21 %	42.74 %
Police and Firemen's Retirement System	2019	2018	2017	2016	2015
University proportion of the net pension liability – State Group	0.412 %	0.412 %	0.395 %	0.379 %	0.406 %
University proportion of the net pension liability – Total Plan	0.091	0.084	0.073	0.073	0.083
University proportionate share of the net pension liability	\$ 17,849,912	18,121,876	18,589,182	16,256,503	14,428,274
University employee covered-payroll	1,901,881	1,960,579	1,918,325	2,066,181	1,985,629
University proportionate share of the net pension liability as a percentage of the employee covered-payroll	938.5 %	924.3 %	969.0 %	786.8 %	726.6 %
Plan fiduciary net position as a percentage of the total pension liability	57.91 %	54.52 %	48.55 %	52.84 %	58.86 %
Teachers' Pension and Annuity Fund	2019	2018	2017	2016	2015
University proportion of the net pension liability	0.002 %	0.002 %	0.002 %	0.010 %	0.012 %
University proportionate share of the net pension liability	\$ —	—	—	—	—
State's proportionate share of the net pension liability associated with the University	1,310,288	1,479,732	1,744,239	6,423,696	6,406,231
Total net pension liability	\$ 1,310,288	1,479,732	1,744,239	6,423,696	6,406,231
University employee covered-payroll	—	—	—	7,656	7,656
University proportionate share of the net pension liability as a percentage of the employee covered-payroll	— %	— %	— %	— %	— %
Plan fiduciary net position as a percentage of the total pension liability	26.49 %	25.41 %	22.33 %	28.71 %	33.64 %

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

Notes to Required Supplementary Information

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

Changes in assumptions – There were no significant changes in assumptions except for the annual change in the discount rate and the change in the long-term rate of return as follows:

PERS

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

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

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

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

PFRS

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

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

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

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

See accompanying independent auditors' report.

ROWAN UNIVERSITY
(A Component Unit of the State of New Jersey)
Required Supplementary Information (Unaudited)
Schedule of Proportionate Share of the Total OPEB Liability
June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
University proportion of the collective total OPEB liability	— %	— %
University proportionate share of the collective total OPEB liability	\$ —	—
State's proportionate share of the total OPEB liability associated with the University	<u>486,974,034</u>	<u>554,246,968</u>
Total OPEB liability	<u>\$ 486,974,034</u>	<u>554,246,968</u>
University covered-employee payroll	196,319,174	172,658,885
University proportionate share of the total OPEB liability as a percentage of covered-employee payroll	— %	— %

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

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

See accompanying independent auditors' report.

ROWAN UNIVERSITY
(A Component Unit of the State of New Jersey)
Schedule of Expenditures of Federal Awards
Year ended June 30, 2019

Federal grantor/pass-through grantor/program or cluster title	Federal CFDA number	Pass through grant number	Current year expenditures	Amount passed-through to subrecipients
Research and Development Cluster:				
U.S. Department of Defense:				
Passed through U.S. Army Corps of Engineers:				
1-3 Evaluation of Geogrid Reinforced Airfield Pavements	12.116	W1913E517C0010	\$ 775,630	—
Geospatial Factors and the Trafficking/Terrorism Nexus in Eurasia	12.300	—	51,690	—
Passed Through Naval Surface Warfare Center, Philadelphia Division:				
Polymer Nanocomposites with Enhanced Dielectric Strength and Reduced Thermal Contraction for Superconductor Cables	12.300	N00174-17-1-008	126,363	—
Passed Through PPG Industries:				
FY17-New ARL Prop w/ PPG and Drexel	12.431	W911NF-17-2-0227	219,471	—
Passed through U.S. Army:				
Synthesis and Characterization of Bio-based Resins for the Development of Sustainable Polymers and Composites for DOD Applications	12.431	W911NF-14-2-0086	591,658	—
Passed through Drexel University:				
Biobased Thermosetting Polymers for Composite, Adhesive and Coating Applications	12.431	W911NF-16-2-0225	181,230	—
Passed through Northeastern University:				
Engineered Materials and Materials Design of Engineered Materials	12.431	W911NF-15-2-0026	168,747	—
Passed through Engineering Research & Development Center – CRREL:				
Innovative Construction Materials to Protect National Security Interests in the Arctic Region	12.630	W913E518C0008	490,873	—
Total U.S. Department of Defense			2,605,662	—
U.S. Department of Transportation:				
Second Strategic Highway Research Program (SHRP2) Education Connection	20.200	—	1,510	—
Passed through Rutgers University:				
NJTPA Rutgers Street Smart NJ Eval	20.205	#0634	84,603	—
Regional UTC Program	20.701	#0616	66,760	—
Passed through Research Foundation of CUNY:				
Evaluation of Simulations Models for Road Weather Information System	20.701	DTRT13-G-UTC32	13,011	—
Visualization of Unmanned Aircraft Systems (UAS) within CAVE Virtual Reality Environment: A Feasibility Project	20.108	—	57,880	—
Total U.S. Department of Transportation			223,764	—
National Aeronautics and Space Administration:				
Passed through University of Arizona:				
OSIRIS – Rex Asteroid Sample Mission	43.RD	NNM10AA11C	165,741	—
Passed through Rutgers University:				
MemSat at Rowan	43.008	NNX10AR62H	17,506	—
NJSG Space Grant Consortium Training Grant 2015-2018	43.008	6245	37,374	—
NJSG Consortium Training Grant 2015-2018	43.008	6248	10,216	—
NJSG Consortium Training Grant 2019	43.008	NNX15AK05H	45,000	—
Total National Aeronautics and Space Administration			275,837	—
National Science Foundation:				
AIS: Learning From Initially Labeled Nonstationary Streaming Data	47.041	—	19,895	—
RUI: Continuous Processing for Improved Properties of Nanofibers	47.041	—	154,621	—
IUSE/PFE:RED: Rethinking Engineering Diversity, Transforming Engineering Diversity (REDTED)	47.041	—	167,467	—
REU: Probing mechanotransduction of disturbed flow in brain vasculature	47.041	—	57,147	—
REU Site: Biomedical Materials, Devices, Therapeutics, and Emerging Frontiers	47.041	—	105,371	—
NSF: Supporting Agency Among Early Career Engineering Education Faculty in Diverse Institutional Contexts	47.041	—	18,357	—
MRIMATH: Coordinates and Volumetrics for Brain Tumors	47.041	—	7,548	—
CAREER: Nanostructured Particle Stabilized Bicontinuous Emulsions: Structure-Formation Principles, Structure Function Relationships and Biphasic Transport Processes	47.041	—	133,513	—
CAREER: Post-Processing Polymer Nanofibers for Improved Mechanical Properties	47.041	—	52,840	—
The Shaker Shield – An Innovative Technology for Inhabitant Protection in High Seismic Risk	47.041	—	34,014	—
I-Corps: An Innovative Framework for High Resolution Quantitative Assessment of Flood Resiliency	47.041	—	21,525	—
ECCS-EPSRC-ShiRAS: Towards Safe and Reliable Autonomy in Sensor Driven Systems	47.041	—	10,015	—
RUI: Collaborative Research: Understanding the protein-polysaccharide interactions of natural composite materials in one and two dimensions	47.049	—	18,945	—
MR1: Acquisition of a 400 MHz Nuclear Magnetic Resonance Spectrometer for the Transformative Advancement of Undergraduate Research	47.049	—	299,000	—
ATD: New Approaches for Analyzing Spatiotemporal Data for Anomalies	47.049	—	41,552	—
Electrochemical, Spectroscopic, Thermodynamics, and Computational Investigations of Hydrogen Ions Solvations in Acidic Ionic Liquids-Approach to High Proton Conductivity Ionic Liquid Electrolytes	47.049	—	7,136	—
CAREER: Metallooxaziridiness for the Synthesis of Nitrogen-Containing Three-Membered Heterocycles	47.049	—	79,639	—
Passed through University of Delaware:				
SusChEM: Biobased Platform for the Sustainable Molecular Design and Controlled Synthesis of Block Polymers for Renewable Feedstocks	47.049	1507010	2,395	—
Passed through American Physical Society:				
PhysTec Year 3	47.049	PT-013-2017	21,336	—
MR1: Development of a Localized Field Emission Scanning Electron Microscope and Secondary Electron Spin Polarization Analysis System	47.049	—	113,109	—
Collaborative Research: Water on the Antarctic Ice Sheet: Quantifying Surface Melt and Mapping Supraglacial Lakes	47.050	—	37,578	—
NSF – Theoretical and Algorithmic Foundations of Constrained Particle Filtering	47.070	—	63,711	270
I-Corps: Injectable, Highly Sticky, Antimicrobial, and Hemostatic Adhesive for Cornea Injury Repair	47.070	—	34,968	—
RUI/SG: Phylogenetic Relationships of Archaic “ungulates” and Their Implications for the Timing and Rate of Divergence of Placental Mammal Clades	47.074	—	5,629	—
Ecological Identity and Solid Waste Governance	47.075	—	35,647	—
Scholarships to Enhance the High Tech Workforce of Southern New Jersey	47.076	—	148,491	—
Rowan Noyce Scholars Program	47.076	—	158,364	—
Defining Almost Correct: Quantifying Student Understanding Hidden in Wrong Answers	47.076	—	18,295	—
Collaborative Research: Experiential Process Safety Training for Chemical Engineers	47.076	—	132,983	106,192

ROWAN UNIVERSITY
(A Component Unit of the State of New Jersey)
Schedule of Expenditures of Federal Awards
Year ended June 30, 2019

Federal grantor/pass-through grantor/program or cluster title	Federal CFDA number	Pass through grant number	Current year expenditures	Amount passed-through to subrecipients
National Science Foundation, continued:				
Passed Through City College of New York:				
CREATE, Cornerstone to Capstone: Integrating a Transformative Paradigm for Biology Education Through the Curriculum	47.076	DUE 1323006	\$ 9,172	—
Collaborative Research: PIQL: Physics Inventory of Quantitative Literary Engaging in STEM Education with Big Data Analytics and Technologies:	47.076	—	6,805	—
A Rowan-Cove Initiative	47.076	—	97,494	369
Algae Grows the Future	47.076	—	82,542	11,120
IRES: Philadelphia-Singapore Optics Research Experience for Undergraduates	47.079	—	72,028	—
Total National Science Foundation			2,269,132	117,951
U.S. Department of Veteran Affairs:				
Passed through Medical College of Wisconsin:				
ANK-dependent ATP Efflux Causes Calcium Pyrophosphate Deposition in Cartilage	64.UNK	BX-13-001	24,630	—
Total U.S. Department of Veteran Affairs			24,630	—
U.S. Environmental Protection Agency:				
An Integrated Strategy to Improve Green Infrastructure Approaches in Philadelphia Roadmap for Solvent Recovery	66.509	—	21,191	—
Process Intensification in Food Manufacture – A Path to Water, Energy, Waste Reduction FY2015 Brownfields Area-Wide Planning Grant	66.708	—	20,443	—
	66.708	—	70,181	—
	66.814	—	69,054	26,070
Total Environmental Protection Agency			180,869	26,070
U.S. Department of Health and Human Services:				
Prevention of Opioid Misuse and Overdose in High Risk Women in New Jersey	93.088	—	113,146	18,086
Passed through New Jersey Department of Health:				
Opioid Education for Oral Health Workforce Program	93.236	T12HP31864	35,488	—
New Jersey Collaborative to Improve Access to Overdose Treatment	93.243	—	83,650	—
Health Resources and Services Administration:				
Model State Support Area Hlth Edu Center	93.107	—	343,366	290,630
Health Careers Opportunity Program	93.822	—	547,236	—
Health Careers Opportunity Program	93.822	—	337,368	—
Primary Care Training and Enhancement	93.884	—	234,078	—
Primary Care Training and Enhancement FY19	93.884	—	143,216	—
Geriatric Workforce Program	93.969	—	943,071	243,757
Total Health Resources and Services Administration			2,548,335	534,387
National Institutes of Health:				
Planaria as a high-throughput screening tool for assessing neurodevelopmental toxicity of BPA and BPA substitutes	93.113	—	137,665	—
Heterogeneous Properties of LC Efferents to Modality-Specific Terminal Fields	93.242	—	280,987	7,792
Physiological Genomics and Sex Differences of Central Vasopressin and Serotonin Circuits	93.242	—	118,304	—
Functional Neuroanatomy Underlying Psychosocial Stress Induced Cocaine Seeking	93.279	—	211,192	—
Breathe Free: Smartphone Videogame-Based Incentives for Smoking Cessation	93.279	—	27,958	—
Do Cocaine and Chronic Stress Converge in the Basolateral Amygdala?	93.279	—	281,414	—
Abuse Liability and Anti-Addiction Potential of the Atypical Mu Opioid Receptor Agonist IBNtXa	93.279	—	14,421	—
Passed through Xcend, LLC:				
Portable Liquid Chromatograph for Point-of-Care Monitoring of Illicit Substances	93.279	R41DA045382-01A1	12,864	—
Team-based Projects to Improve Student Design Experience	93.286	—	43,898	—
Fatty Acids-mediated Inflammation	93.307	—	187,893	—
Targeting Podoplanin to Prevent and Combat Oral Cancer	93.396	—	35,373	—
Passed through Kent State University:				
Mindfulness-Based Stress Reduction for High Blood Pressure: A Two-Site RCT	93.837	3R01HL119977-04S1	47,690	—
Post Resuscitation PaCO2 and Neurological Outcomes After Cardiac Arrest	93.837	—	178,514	—
Identifying and Targeting Unique Physical Activity Determinants for Midlife Women	93.837	—	104,579	—
Emerin regulation of molecular pathways: Implications for muscle disease	93.846	—	104,297	—
Passed through University of Pennsylvania:				
Temporal Lobe Epilepsy and Retrotransposons	93.853	R21NS095756	1,880	—
The role of the glial engulfment receptor Jedi 1 in regulating sensory neuron function	93.853	—	13,136	—
Elucidating the impact of the Npc1nmf164 mutation in the postnatal cerebellar development of a mouse model of Niemann-Pick Type C disease	93.853	—	80,527	—
Antimicrobial mechanisms of Specialized Proresolving Mediators	93.855	—	342,736	—
Passed through Tufts University:				
Signaling Mechanisms in VIBRIO Cholearae Parallel Quorum Sensing Pathways	93.855	R01AI121337	11,128	—
Signaling Pathways that Mediate the S Cerevisiae Response to Oxygen Levels	93.859	—	18,731	—
Bridges to Baccalaureate: Cumberland County College Bridge to Rowan	93.859	—	334,639	233,744
Mechanisms of Transcription	93.859	—	65,043	—
Stress Dynamics	93.859	—	300,147	—
Stress and Cyclin C	93.859	—	4,711	—
Traditional Rescue Mechanisms in Eukaryotes	93.859	—	271,051	—
Translational Control of Mitochondrial Gene Expression	93.859	—	155,479	—
Dissecting the Origins of a Complex Reproductive Trait: Nematode Self Fertility	93.859	—	293,763	—
Regulation for the Gli Protein TRA-1 by Co-factors	93.859	—	244,953	—
Replication-Transcription Switch in Mitochondria	93.859	—	16,825	—
Effects of Hurricane Sandy on Functional Limitation Trajectories of Older Adults	93.866	—	392,328	—
Blood-based Biomarkers for Early Detection of Alzheimers Disease	93.866	—	686,426	—
Total National Institutes of Health			5,020,552	241,536
Total U.S. Department of Health and Human Services			7,801,171	794,009
U.S. Department of Justice:				
National Institute of Justice:				
Does the Detention and Deportation of Illegal Immigrants Reduce Crime? A Nationwide Examination of the Impact of 287 (g)	16.566	—	15,553	—

ROWAN UNIVERSITY
(A Component Unit of the State of New Jersey)
Schedule of Expenditures of Federal Awards
Year ended June 30, 2019

Federal grantor/pass-through grantor/program or cluster title	Federal CFDA number	Pass through grant number	Current year expenditures	Amount passed-through to subrecipients
U.S. Department of Justice, continued:				
Office for Victims of Crimes:				
Passed through Research and Statistics Association:				
Understanding the Needs and Experiences of Families and Friends of Homicide Victims	16.582	2016-XV-GX-K006	\$ 6,790	—
Total Office of Victims of Crimes			6,790	—
Total U.S. Department of Justice			22,343	—
U.S. Department of Commerce:				
National Institute of Standards and Technology:				
FY 2018 Summer Undergraduate Research Fellowship MatSci/NCNR	11.620	—	3,056	—
Total National Institute of Standards and Technology			3,056	—
Total U.S. Department of Commerce			3,056	—
U.S. Department of Agriculture:				
Rural Utilities Service:				
Proactive Waste Management Through Infrared Thermography for Landfill Monitoring and Fire Warning: Demonstration and Training	10.761	—	12,423	—
Development of Multi-Scale Non-Invasive In Situ and Remote Sensing Techniques for Proactive Waste Management: Demonstration and Training	10.762	—	70,591	—
Total U.S. Department of Agriculture			83,014	—
U.S. Department of Housing and Urban Planning:				
Passed through the NJ Department of Community Affairs:				
Impact-Based Decision Making Framework for Community-based Resiliency Planning under Extreme Storm Events	14.269	B-13-DS-34-0001; SRPAG-184782	138,257	—
Total U.S. Department of Housing and Urban Planning			138,257	—
Total Research and Development Cluster			13,627,735	938,030
Student Financial Assistance Cluster:				
U.S. Department of Education:				
Federal Supplemental Educational Opportunity Grant	84.007	—	601,822	—
Federal Work Study	84.033	—	1,019,045	—
Federal Perkins Loan	84.038	—	3,105,888	—
Federal Pell Grant Program	84.063	—	24,807,631	—
Federal Direct Loan Program:				
Parent Loans	84.268	—	25,963,702	—
Graduate Loans	84.268	—	15,589,874	—
Subsidized Loans	84.268	—	34,138,462	—
Unsubsidized Loans	84.268	—	74,853,494	—
Total Federal Direct Loan Program			150,545,532	—
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379	—	24,510	—
Total U.S. Department of Education			180,104,428	—
U.S. Department of Health and Human Services:				
Loans for Disadvantaged Students	93.342	—	638,231	—
Total Student Financial Assistance Cluster			180,742,659	—
U.S. Department of Education:				
Language, Literacy, and Cultural Practices in Oaxaca, Mexico: A Rowan Summer Experience for K-12 Educators	84.021	—	94,666	—
Passed through New Jersey Department of Education:				
Special Education Cluster (IDEA):				
Special Education - Grants to States	84.027	19E00022	802,229	—
TRIO Cluster:				
Rowan University Upward Bound Program FY19	84.047	—	271,179	—
Rowan University Upward Bound Program FY20	84.047	—	16,389	—
Total TRIO Cluster			287,568	—
Rowan's Graduate Fellowship Prepares for the Modern Age of Artificial Intelligence	84.200	—	123,240	—
Passed through Center for Family Services:				
Camden Promise Neighborhoods	84.215	U215N160015	(7,217)	—
Passed through NJ Dept. of Education:				
NJ DOE Preschool Expansion Coaching/Leadership PD budget	84.419B	43120180032	70,887	—
Office of Post Secondary Education:				
Passed through New Jersey Higher Education, Office of the Secretary of Higher Education:				
FY 18 GEAR UP Camden	84.334	18YR7-NCE-809170-0004	215,050	—
Total Office of Post Secondary Education			215,050	—
Total U.S. Department of Education			1,586,423	—
U.S. Department of Health and Human Services:				
Passed through Allegheny-Singer Research Institute:				
AGH Center for Traumatic Stress in Children and Adolescents (CORE)	93.243	5U79SM080056-02	2,331	—
AGH Center for Traumatic Stress in Children and Adolescents (CORE)	93.243	5U79SM080056-03	7,108	—
Total U.S. Department of Health and Human Services			9,439	—
Library of Congress:				
Passed through Waynesburg University:				
Regional Training in Primary Source	42.005	GA08C0016	2,372	—
National Endowment for the Arts:				
Passed through Mid-Atlantic Arts Foundation (MAAF)				
Mid Atlantic Touring Grant, The Crossing	45.001	30428	3,225	—

ROWAN UNIVERSITY
(A Component Unit of the State of New Jersey)
Schedule of Expenditures of Federal Awards
Year ended June 30, 2019

<u>Federal grantor/pass-through grantor/program or cluster title</u>	<u>Federal CFDA number</u>	<u>Pass-through grant number</u>	<u>Current year expenditures</u>	<u>Amount passed- through to subrecipients</u>
National Endowment for the Humanities:				
Passed through New Jersey Council for the Humanities:				
Watershed Storytelling: Experiential Tools for Connecting People, Place and Water	45.129	2018-06	\$ 5,000	—
Cultivating the Environmental Humanities	45.162	—	46,747	—
Total National Endowment for the Humanities			51,747	—
Total expenditures of Federal awards			\$ 196,023,600	938,030

See accompanying notes to schedules of expenditures of Federal and State of New Jersey awards.

ROWAN UNIVERSITY
(A Component Unit of the State of New Jersey)
Schedule of Expenditures of State of New Jersey Awards
Year ended June 30, 2019

State of New Jersey grantor/pass-through grantor/program or cluster title	State of New Jersey pass-through number	Grant amount	Grant period	Current year expenditures	Amount passed- through to subrecipients
Research and Development Cluster:					
New Jersey Department of Transportation:					
Passed through New Jersey Institute of Technology					
NJDOT Task Order 115, ITS Resource Center (ITRSC)	17-60136-Mod2	\$ 124,998	05/01/2017 – 12/31/2018	\$ 73,304	—
New Jersey Commission on Brain Injury:					
Impact of Repetitive Mild Traumatic Brain Injury (TBI) on Attention and Catecholamine Efflux in Prefrontal Cortex	CBIR17PIL007	172,874	07/01/2017 – 06/30/2019	81,905	10,342
Effects of Repetitive Mild TBI on Flexible Attention and the Norepinephrine Transmitter System	CBIR191RG025	177,688	04/01/2019 – 03/31/2022	23,824	953
New Jersey Department of the Treasury:					
Office for the Treasurer of the State of New Jersey					
Comprehensive Research Initiative on the Genomics of Opioid Addiction, Treatment, and Recovery	—	3,000,000	07/01/2018 – 06/30/2020	2,155,425	—
New Jersey Department of Health:					
New Jersey Governor's Council for Medical Research and Treatment of Autism:					
Using SMART Treatment Design to Evaluate Applied Behavior Analysis Interventions on Communication in Preschool Children with Autism	CAUT15APL021	398,050	06/29/2015 – 02/29/2020	82,799	—
Metabolic Perturbations with Autism Induced by Plasticizers	CAUT15APA022	399,972	07/01/2015 – 06/30/2020	40,988	2,820
New Jersey Department of Human Services:					
New Jersey Division of Medical Assistance and Health Services:					
New Jersey FamilyCare Integrated Eligibility System	—	6,135,000	07/01/2018 – 06/30/2019	2,531,672	—
New Jersey Department of Environmental Protection:					
Aerial Photography for Seawall	4290-17	72,575	11/01/2017 – 11/23/2020	21,819	—
Planning for Water Quality Phase 2: developing the NJ Buildout Modeler	WR17-016	150,616	07/01/2017 – 06/30/2019	24,324	—
NJ DEP – Traffic Impact Study	LU18-002	30,000	06/04/2018 – 06/03/2021	6,258	—
Total Research and Development Cluster				5,042,318	14,115
New Jersey Department of Military & Veterans Affairs:					
Rowan GIS Intern Program:					
Year 3 of 5: Rowan GIS Intern Program	—	164,901	10/01/2017 – 09/30/2018	38,860	—
Year 4 of 5: Rowan GIS Intern Program	—	172,906	10/01/2018 – 09/30/2019	132,667	—
Total Rowan University G.I.S. Intern Program				171,527	—
NJDMAVA Energy Audit Center	—	336,336	07/01/2012 – 06/30/2022	34,627	—
NJDMAVA Energy Internship:					
FY19 Energy/Building Information	—	296,060	10/01/2018 – 09/30/2019	135,661	—
Energy/building Information Model (BIM)/Builder Internship Program	—	287,373	10/01/2017 – 09/30/2018	80,044	—
Total NJDMAVA Energy Internship				250,332	—
Facilities Mgmt Internship Plan YR 3	—	209,838	10/01/2018 – 09/30/2019	150,455	—
Facilities Management Internship Plan	—	204,952	10/01/2017 – 09/30/2018	138,826	—
Solar Hot Water	—	82,631	01/01/2016 – 12/31/2018	24,408	—
Total New Jersey Department of Military & Veterans Affairs				735,548	—
New Jersey Higher Education, Office of the Secretary:					
CHAMP – College Bound FY 19	—	440,051	09/26/2018 – 06/30/2019	315,852	—
2019 Spring Activity Grant	19YR8-809170-0004	25,000	05/23/2019 – 07/05/2019	8,608	—
Total CHAMP				324,460	—
Educational Opportunity Fund – Article IV:					
FY18 EOF Academic Year Camden Campus	—	202,295	06/01/2017 – 07/31/2018	(35,860)	—
FY18 EOF Academic Year Main Campus	—	297,749	06/01/2017 – 07/31/2018	(74,665)	—
FY19 EOF Academic Year Main Campus	—	297,749	06/01/2018 – 07/31/2019	256,221	—
FY19 EOF Academic Year Camden Campus	—	202,295	06/01/2018 – 07/31/2019	172,429	—
FY19 EOF Summer Camden	—	141,033	06/01/2018 – 07/31/2019	103,466	—
FY19 EOF Summer Main	—	420,083	06/01/2018 – 08/31/2018	350,536	—
FY20 EOF Academic Year Camden Campus	—	216,871	06/01/2019 – 07/31/2020	21	—
FY20 EOF Academic Year Main Campus	—	319,203	06/01/2019 – 07/31/2020	82	—
FY20 EOF Summer Camden	—	155,136	06/01/2019 – 08/31/2019	10,491	—
FY20 EOF Summer Main	—	462,091	06/01/2019 – 08/31/2019	18,775	—
FY20 PULSE Program EOF Support	—	40,000	06/01/2019 – 07/31/2020	15,690	—
Summer Pre-Matriculation Program	—	1,000	06/01/2018 – 07/31/2019	999	—
Summer Prep 2017	—	79,394	06/01/2017 – 07/31/2018	(1,134)	—
Total Education Opportunity Fund – Article IV				817,051	—
Total New Jersey Higher Education, Office of the Secretary				1,141,511	—
New Jersey Department of Education:					
Summer PREP FY18	—	78,394	05/18/2018 – 07/31/2019	65,673	—
Summer PREP FY19	—	88,394	05/14/2019 – 07/12/2019	17,344	—
Building Teacher Leadership Continuation	18E00088	113,491	10/01/2017 – 05/31/2018	888	—
Total New Jersey Department of Education				83,905	—
Student Financial Assistance Cluster:					
New Jersey Department of State: Higher Education Student Assistance Authority:					
Educational Opportunity Fund	2401-100-074-001	744,500	07/01/2018 – 06/30/2019	744,400	—
GEAR-UP	0001055904	3,249	07/01/2018 – 06/30/2019	3,249	—
Governor's Urban Scholarship Program	2405-100-074-2405-329	23,500	07/01/2018 – 06/30/2019	22,000	—
Tuition Aid Grant Program	2405-100-074-2405-007	26,453,030	07/01/2018 – 06/30/2019	22,982,838	—
New Jersey Student Tuition Assistance Reward Scholarship Program	2405-100-074-2405-313	359,221	07/01/2018 – 06/30/2019	356,721	—
Total Student Financial Assistance Cluster				24,109,208	—

ROWAN UNIVERSITY
(A Component Unit of the State of New Jersey)
Schedule of Expenditures of State of New Jersey Awards
Year ended June 30, 2019

State of New Jersey grantor/pass-through grantor/program or cluster title	State of New Jersey pass-through number	Grant amount	Grant period	Current year expenditures	Amount passed- through to subrecipients
New Jersey Department of Health:					
Institutional Review Board of Human Subjects Research	—	\$ 203,750	07/01/2015 – 06/30/2020	\$ 139,329	—
Huntington Disease FY 18	DFHS18HDS002	308,450	07/01/2017 – 06/30/2018	63,479	59,262
Huntington Disease FY19	DCHS19HDS002	308,605	07/01/2018 – 06/30/2019	252,245	152,891
Opioid Education for Healthcare Professionals	—	220,000	02/01/2018 – 01/30/2020	102,635	—
Early Intervention Program	04-2123-EIP-N-0	1,747,742	07/01/2016 – 06/30/2019	703,759	—
NJ Acute Stroke Registry Enhancement Project	—	500,000	11/01/2017 – 06/30/2019	148,801	—
Statewide Trauma Registry	—	1,395,188	04/01/2016 – 06/30/2019	301,084	—
Total New Jersey Department of Health				1,711,332	212,153
New Jersey Department of Law and Public Safety					
New Jersey Opiod Medical Education Program NJ-OMEP	—	941,582	04/15/2019 – 04/15/2020	41,410	—
Total New Jersey Department of Law and Public Safety				41,410	—
New Jersey Department of Transportation					
Phase I: Evaluation of Precast Concrete Pavement Systems and Cast In-place	—	54,896	02/15/2018 – 08/14/2018	22,082	—
Total New Jersey Department of Transportation				22,082	—
New Jersey Department of Labor and Workforce Development					
Talent Network: Construction Management	—	275,000	01/01/2018 – 12/31/2018	88,657	—
Total New Jersey Department of Labor and Workforce Development				88,657	—
New Jersey State Council on the Arts					
03 APS Arts Project Support FY19	1917X030012	15,000	07/01/2018 – 06/30/2019	15,000	—
Total New Jersey State Council on the Arts				15,000	—
Higher Education Administration:					
Grants-In-Aid Appropriations to Senior Public Colleges and Universities	—	77,267,145	07/01/2018 – 06/30/2019	77,267,145	—
Fringe Benefits Other Than FICA For Senior Public Colleges and Universities	—	68,796,933	07/01/2018 – 06/30/2019	68,796,933	—
FICA (Social Security Tax) For Senior Public Colleges and Universities	—	13,799,313	07/01/2018 – 06/30/2019	13,799,313	—
Total Higher Education Administration				159,863,391	—
New Jersey Department of Children and Families:					
Psychiatric Svcs Abused & Neglected	19BYDS	197,890	07/01/2018 – 06/30/2019	151,596	—
Child Abuse and Foster Care Services	19XDDS	4,329,666	07/01/2018 – 06/30/2019	4,112,005	—
Maternal, Infant and Early Childhood Home Visiting Program	—	580,315	10/01/2017 – 11/30/2018	387,094	—
CAP Fellowship FY19	—	174,963	07/01/2018 – 06/30/2019	174,505	—
Children's Mental Health	19LSMR	200,000	07/01/2018 – 06/30/2019	172,899	—
Total New Jersey Department of Children and Families				4,998,099	—
New Jersey Department of Transportation:					
FY18 National Transportation Summer Institute	—	55,720	06/30/2018 – 12/01/2018	55,702	—
Total New Jersey Department of Transportation				55,702	—
New Jersey Department of Human Services:					
Division of Family Development:					
Early Childhood Leadership Institute-Grow NJ Kids	—	330,570	01/01/2016 – 07/31/2018	11,771	—
Early Childhood Leadership Institute	—	207,460	01/01/2018 – 12/31/2018	199,449	—
Total Division of Family Development				211,220	—
Total New Jersey Department of Human Services				211,220	—
New Jersey Educational Facilities Authority:					
Higher Education Capital Improvement Grant:					
Wilson Hall Window Replacement	046-07	1,030,885	03/01/2014 – 06/30/2019	487,476	—
Academic Space Increase/Improvement	146-01	6,010,400	12/01/2016 – 06/30/2019	3,708,887	—
Joint Health Sciences Center	146-03	9,989,600	12/01/2016 – 06/30/2019	5,716,721	—
Total Higher Education Capital Improvement Grant				9,913,084	—
Higher Education Technology Infrastructure Fund:					
Banner Upgrade	046-16	468,575	01/01/2014 – 06/30/2019	60,387	—
Swipe Card System	046-19	1,280,000	01/01/2014 – 06/30/2019	141,312	—
Total Higher Education Technology Infrastructure Fund				201,699	—
Total New Jersey Educational Facilities Authority				10,114,783	—
Secretary of Higher Education:					
Building our Future Bond Act:					
Rohrer College of Business Building	046-03	40,393,881	03/01/2014 – 06/30/2019	705,994	—
Total Building our Future Bond Act				705,994	—
Total Secretary of Higher Education				705,994	—
Total expenditures of State of New Jersey awards				\$ 208,940,160	226,268

See accompanying notes to schedules of expenditures of Federal and State of New Jersey awards.

ROWAN UNIVERSITY
(A Component Unit of the State of New Jersey)
Notes to Schedules of Expenditures of Federal and
State of New Jersey Awards
Year ended June 30, 2019

(1) Basis of Presentation

The accompanying schedules of expenditures of Federal and State of New Jersey awards (the Schedules) include the Federal and State of New Jersey grant activity of Rowan University (the University) and are presented on the accrual basis of accounting. The information in these Schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and New Jersey Office of Management and Budget Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Therefore, some amounts presented in these Schedules may differ from amounts presented in, or used in the preparation of, the 2019 basic financial statements. The University has included expenditures on prior year grant awards where extensions have been granted from funding agencies or amounts were approved for outstanding purchase orders. Credit expenditures or expenditures occurring after the grant period end typically result from grant or contract closing adjustments and transfers to recognize awards for which the University overspent their authorized award amount and will cover the excess with institutional funds.

(2) Indirect Cost Rate

The University has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

(3) Federal Perkins Loan Program and Loans for Disadvantaged Students

The University administers and accounts for certain aspects of the Federal Perkins Loan program (CFDA 84.038) and Loans for Disadvantaged Students (CFDA 93.342). The University's basic financial statements include the program's net position and transactions. The balance of loans outstanding under these programs as of June 30, 2019 were as follows:

	Federal perkins loan program	Loans for disadvantaged students
Beginning balance	\$ 3,105,888	564,731
New loans issued	—	73,500
Payments	(984,859)	(45,991)
Write offs	(200)	—
Cancellations	—	—
Ending balance	<u>\$ 2,120,829</u>	<u>592,240</u>

(4) Federal Direct Loan Program

The University is responsible only for the performance of certain administrative duties with respect to the Federal Direct Loan Program and, accordingly, these loans are not included in the University's basic financial statements. It is not practical to determine the balance of Federal Direct Loans outstanding to students of the University as of June 30, 2019.



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**Independent Auditors' Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***

The Board of Trustees
Rowan University:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate discretely presented component units of Rowan University (the University), a component unit of the State of New Jersey, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated December 10, 2019, which contained an unmodified opinion on those financial statements.

The financial statements of Rowan University Foundation and South Jersey Technology Park at Rowan University, Inc. were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial report or instances of reportable noncompliance associated with Rowan University Foundation and South Jersey Technology Park at Rowan University, Inc.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Short Hills, New Jersey
December 10, 2019



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

Independent Auditors' Report on Compliance for Each Major Federal and State of New Jersey Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance and Schedule of Expenditures of State of New Jersey Awards Required by New Jersey OMB Circular 15-08

The Board of Trustees
Rowan University:

Report on Compliance for Each Major Federal and State of New Jersey Program

We have audited Rowan University's (the University) compliance with the types of compliance requirements described in the Federal *OMB Compliance Supplement* and the New Jersey Office of Management and Budget (New Jersey OMB) *State Grant Compliance Supplement* (the Compliance Supplements) that could have a direct and material effect on each of the University's major Federal and State of New Jersey programs for the year ended June 30, 2019. The University's major Federal and State of New Jersey programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with Federal and State of New Jersey statutes, regulations, and the terms and conditions of its Federal and State of New Jersey awards applicable to its Federal and State of New Jersey programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the University's major Federal and State of New Jersey programs based on our audits of the types of compliance requirements referred to above. We conducted our audits of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and New Jersey OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* (New Jersey OMB Circular 15-08). Those standards, the Uniform Guidance and New Jersey OMB Circular 15-08, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal or State of New Jersey program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audits provide a reasonable basis for our opinion on compliance for each major Federal and State of New Jersey program. However, our audits do not provide a legal determination of the University's compliance.

Opinion on Each Major Federal and State of New Jersey Program

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal and State of New Jersey programs for the year ended June 30, 2019.



Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2019-001 and 2019-002. Our opinion on each major Federal program is not modified with respect to these matters.

The University's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The University is also responsible for preparing a corrective action plan to address each audit finding included in our auditors' report. The University's responses and corrective action plans were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses or the corrective action plans.

Report on Internal Control Over Compliance

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audits of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal and State of New Jersey program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal and State of New Jersey program and to test and report on internal control over compliance in accordance with the Uniform Guidance and New Jersey OMB Circular 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal or State of New Jersey program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal or State of New Jersey program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal or State of New Jersey program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2019-001 and 2019-002, that we consider to be significant deficiencies.

The University's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The University is also responsible for preparing a corrective action plan to address each audit finding included in our auditors' report. The University's responses and corrective action plans were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses or the corrective action plans.



The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and New Jersey OMB Circular 15-08. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance and Schedule of Expenditures of State of New Jersey Awards Required New Jersey OMB Circular 15-08

We have audited the financial statements of the business-type activities and the aggregate discretely presented component units of the University as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the University's basic financial statements. We issued our report thereon dated December 10, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of Federal awards and schedule of expenditures of State of New Jersey awards are presented for purposes of additional analysis as required by the Uniform Guidance and New Jersey OMB Circular 15-08, respectively, and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of Federal awards and the schedule of expenditures of State of New Jersey awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

KPMG LLP

Short Hills, New Jersey
March 5, 2020

ROWAN UNIVERSITY
(A Component Unit of the State of New Jersey)
Schedule of Findings and Questioned Costs
Year ended June 30, 2019

(1) Summary of Auditors' Results

- (a) Type of report issued on whether the basic financial statements were prepared in accordance with U.S. generally accepted accounting principles: **Unmodified opinions were issued on the basic financial statements of the business-type activities and the aggregate discretely presented component units of Rowan University, a component unit of the State of New Jersey, as of and for the year ended June 30, 2019.**
- (b) Internal control deficiencies over financial reporting disclosed by the audit of the basic financial statements:
- Material weaknesses: **No**
 - Significant deficiencies: **None reported**
- (c) Noncompliance material to the basic financial statements: **No**
- (d) Internal control deficiencies over major Federal and State of New Jersey programs disclosed by the audit:
- Material weaknesses: **No**
 - Significant deficiencies: **Federal: 2019-001 and 2019-002; State of New Jersey: None reported**
- (e) Type of report issued on compliance for major Federal and State of New Jersey programs: **Unmodified**
- (f) Audit findings that are required to be reported in accordance with 2 CFR 200.516(a) or New Jersey OMB Circular 15-08: **Federal: 2019-001 and 2019-002; State of New Jersey: None reported**
- (g) Major programs:
- Federal:**
- Student Financial Assistance Cluster (various CFDA numbers)
 - Research and Development Cluster (various CFDA numbers)
 - Special Education – Grants to States (CFDA #84.027)
- State of New Jersey:**
- Student Financial Assistance Cluster (various grant numbers)
 - Research and Development Cluster (various grant numbers)
 - Grants-In-Aid Appropriations to Senior Public Colleges and Universities
 - Child Abuse and Foster Care Services (grant number 19XDDS)

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(h) Dollar threshold used to distinguish between Type A and Type B programs for Federal awards: **\$750,000**; Dollar threshold used to distinguish between Type A and Type B programs for State of New Jersey awards: **\$3,000,000**

(i) Auditee qualified as a low-risk auditee for both Federal and State of New Jersey awards: **Yes**

(2) Findings Relating to the Financial Statements Reported in Accordance with Government Auditing Standards

No findings required to be reported.

(3) Findings and Questioned Costs Relating to Federal or State of New Jersey Awards

Federal Awards

2019-001 Activities Allowed or Unallowed and Allowable Costs/Cost Principles, Period of Performance and Reporting – Fringe Benefits and Indirect Costs

Research and Development Cluster:

U.S. Department of Defense:

Department of Defense Appropriation Act of 2003 (CFDA #12.116)

U.S. Department of Health and Human Services:

Allergy, Immunology and Transplantation Research (CFDA #93.855)

Health Careers Opportunity Program (CFDA #93.822)

Federal Grant Numbers and Years: W913E517C0010 (September 1, 2017 – August 31, 2019), 1R01AI128202-01A1 (June 1, 2018 – May 31, 2023), 6D18HP32127-01-01 (September 1, 2018 – August 31, 2023)

Statistically Valid Sample: No, and it was not intended to be

Prior Year Finding: N/A

Finding Type: Significant Deficiency and Noncompliance

Criteria:

2 CFR part 200 establishes principles for determining the costs applicable to research and development, training, and other sponsored work performed by institutions of higher education (IHEs) under Federal awards. These Federal awards are referred to as sponsored agreements.

Direct costs are those costs that can be identified specifically with a particular final cost objective, such as a Federal award, or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy.

At IHEs, indirect costs are accounted for through F&A cost proposals. F&A costs, for the purpose of 2 CFR part 200 and as defined at 2 CFR section 200.56, are synonymous with "indirect costs" and include costs that are incurred for common or joint objectives and, therefore, cannot be identified readily and specifically with a particular sponsored project, an instructional activity, or any other institutional activity. As

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described in 2 CFR section 200.414(a), the F&A cost categories include building and equipment depreciation; operations and maintenance expenses; interest expenses; general administrative expenses; departmental administration expenses; sponsored project administration expenses; library expenses; and student administration expenses. F&A costs are referred to as "indirect costs" in this section.

Indirect costs are those costs that are incurred for common or joint objectives and, therefore, cannot be identified readily and specifically with a particular sponsored project, an instructional activity, or any other institutional activity (2 CFR section 200.56).

Indirect costs are defined into two broad categories in 2 CFR section 200.414(a).

- "Facilities" is defined as depreciation on buildings, equipment and capital improvement, interest on debt associated with certain buildings, equipment and capital improvements, operations and maintenance expenses, and library expenses.
- "Administration" is defined as general administration and general expenses such as the director's office, accounting, personnel, and all other types of expenditures not listed specifically under one of the subcategories of "Facilities" (including cross allocations from other pools, where applicable).

Additionally, in accordance with Federal requirements, the University shall maintain internal controls over Federal programs designed to provide reasonable assurance that transactions are executed in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award that could have a direct and material effect on a Federal program.

Condition and Context:

The University charges indirect costs and fringe benefits to Federal awards based on federally approved rates either in the College and University Rate Agreement with the United States Department of Health and Human Services or the rate outlined in the grant agreements.

We selected a sample of fifteen grants within the Research and Development Cluster to determine if the correct fringe benefits were charged to the grant. The following differences were noted based upon the results of our procedures:

Program	Recalculated amount	University general ledger and reported amount	Difference under reported (over reported)
Research and Development Cluster:			
U.S. Department of Defense:			
Department of Defense Appropriation Act of 2003 (CFDA #12.116)	\$ 67,245	71,444	(4,199)
U.S. Department of Health and Human Services:			
Allergy, Immunology and Transplantation Research (CFDA #93.855)	48,722	52,563	(3,841)
Research and Development Cluster			\$ (8,040)

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We selected a sample of fifteen grants within the Research and Development Cluster to determine if the correct indirect costs were charged to the grant. The following differences were noted based upon the results of our procedures:

<u>Program</u>	<u>Recalculated amount</u>	<u>University general ledger and reported amount</u>	<u>Difference under reported (over reported)</u>
Research and Development Cluster:			
U.S. Department of Defense:			
Department of Defense Appropriation Act of 2003 (CFDA #12.116)	\$ 129,033	131,132	(2,099)
U.S. Department of Health and Human Services:			
Health Careers Opportunity Program (CFDA #93.822)	17,657	16,631	1,026
Research and Development Cluster			<u>\$ (1,073)</u>

The difference between the amount charged to the grants and our calculation of fringe benefit and indirect costs results in a net overcharge of \$6,298 for Department of Defense Appropriation Act of 2003 (CFDA #12.116), \$3,841 for Allergy, Immunology and Transplantation Research (CFDA #93.855), and a net undercharge of \$1,026 for Health Careers Opportunity Program (CFDA #93.822) as of June 30, 2019. However, we noted that these amounts were not charged to the respective grants and only represent errors in the SEFA for the amounts reported and do not represent any questioned costs for the programs.

Cause:

For fringe benefits, there was a FICA adjustment posted to the grant account mistakenly at year end and there was a salary adjustment made in which fringe benefits were not adjusted for. For indirect costs, there was a FICA adjustment posted to the grant account mistakenly at year end and an account missing for the indirect cost calculation. While the University has a process in place and internal controls designed to ensure that the fringe benefits and indirect costs are properly charged to the respective research and development grants, the review of these charges as part of the internal control over compliance was not operating effectively to ensure the correct amounts were recorded in the general ledger.

Effect:

Certain fringe benefits and indirect costs were improperly charged to the grants.

Questioned Costs:

None

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Recommendation:

We recommend that the University strengthen its policies and procedures over the reconciliation of grant funds to ensure the correct fringe benefits and indirect costs are calculated for the respective Federal grants throughout the grant period. We also recommend that the University ensure that internal controls in place surrounding review of the fringe benefits and indirect costs charged to research and development grants is performed as designed.

Views of Responsible Officials:

As a result of human error, fringe expense and the related indirect costs were miscalculated and posted as noted above. It should be noted that this was identified and corrected before the report was submitted to the sponsor. As such, all filings with the sponsor were accurate and complete. Hence, the notation of the error was limited to the Schedule of Expenditures of Federal Awards (SEFA). Going forward, Grants and Contract Accounting will be performing additional reviews at fiscal year-end for completeness over SEFA reporting.

2019-002 Procurement and Suspension and Debarment

Research and Development Cluster:

National Science Foundation:

Mathematical and Physical Sciences (CFDA #47.049)

U.S. Department of Defense:

Department of Defense Appropriation Act of 2003 (CFDA #12.116)

Federal Grant Numbers and Years: 1827938 (August 1, 2018 – July 31, 2021), W913E517C0010 (September 1, 2017 – August 31, 2019)

Statistically Valid Sample: No, and it was not intended to be

Prior Year Finding: N/A

Finding Type: Significant Deficiency and Noncompliance

Criteria:

Non-Federal entities other than States, including those operating Federal programs as subrecipients of States, must follow the procurement standards set out at 2 CFR sections 200.318 through 200.326. They must use their own documented procurement procedures, which reflect applicable state and local laws and regulations, provided that the procurements conform to applicable Federal statutes and the procurement requirements identified in 2 CFR part 200. A non-Federal entity must:

1. Meet the general procurement standards in 2 CFR section 200.318, which include oversight of contractors' performance, maintaining written standards of conduct for employees involved in contracting, awarding contracts only to responsible contractors, and maintaining records to document history of procurements.

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2. Conduct all procurement transactions in a manner providing full and open competition, in accordance with 2 CFR section 200.319.
3. Use the micro-purchase and small purchase methods only for procurements that meet the applicable criteria under 2 CFR sections 200.320(a) and (b). Under the micro-purchase method, the aggregate dollar amount does not exceed \$3,500 (\$2,000 in the case of acquisition for construction subject to the Wage Rate Requirements (Davis-Bacon Act)). Small purchase procedures are used for purchases that exceed the micro-purchase amount but do not exceed the simplified acquisition threshold. Micro-purchases may be awarded without soliciting competitive quotations if the non-Federal entity considers the price to be reasonable (2 CFR section 200.320(a)). If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources (2 CFR section 200.320(b)). See discussion regarding higher thresholds for micro-purchase and small purchase methods in the NDAA 2017 and 2018 sections in this Part.
4. Ensure that every purchase order or other contract includes applicable provisions required by 2 CFR section 200.326. These provisions are described in Appendix II to 2 CFR part 200, "Contract Provisions for Non-Federal Entity Contracts Under Federal Awards."

Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred. "Covered transactions" include contracts for goods and services awarded under a non-procurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other criteria as specified in 2 CFR section 180.220. All non-procurement transactions entered into by a passthrough entity (i.e., subawards to subrecipients), irrespective of award amount, are considered covered transactions, unless they are exempt as provided in 2 CFR section 180.215.

When a non-Federal entity enters into a covered transaction with an entity at a lower tier, the non-Federal entity must verify that the entity, as defined in 2 CFR section 180.995 and agency adopting regulations, is not suspended or debarred or otherwise excluded from participating in the transaction. This verification may be accomplished by (1) checking the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA) and available at <https://governmentcontractregistration.com/sam-registration-and-renewal/>, (2) collecting a certification from the entity, or (3) adding a clause or condition to the covered transaction with that entity (2 CFR section 180.300).

Non-Federal entities receiving contracts from the Federal Government are required to comply with the contract clause at FAR 52.209-6 before entering into a subcontract that will exceed \$30,000, other than a subcontract for a commercially available off-the-shelf item.

Additionally, in accordance with Federal requirements, the University shall maintain internal controls over Federal programs designed to provide reasonable assurance that transactions are executed in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award that could have a direct and material effect on a Federal program.

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Condition and Context:

The University conducts all procurement procedures related to Federal awards based off of the University's procurement policy, which is accordance with the standards outlined in the Uniform Guidance. The University's suspension and debarment policy is to perform a check on all vendors before entering into an agreement with them if they are above the covered transaction threshold, and includes a clause in the contract that the vendor is not suspended or debarred from participating in Federal awards.

We selected a sample of twenty-five procurement transactions within the Research and Development Cluster to determine if the University properly procured these transactions. We noted for one procurement transaction, the proper procedures were not followed as it was a "small purchase" under Uniform Guidance and the University did not obtain any quotes.

We selected a sample of eleven procurement transactions within the Research and Development Cluster that exceeded the covered transaction threshold to determine if the University properly checked the suspension and debarment status of the vendor before entering into the procurement transaction. The University was not able to provide sufficient evidence that they checked the suspension and debarment status of one vendor. We did note however, that the vendor was not suspended or debarred by performing a search on the System for Award Management.

Cause:

For the procurement selections, the buyer did not ensure that the small purchase requirements were followed for the one procurement transaction due to an error in the determination of the actual dollar amount of the transaction and the buyer believed that this could have been a sole source procurement however the documentation was not completed to be considered a sole source.

For the suspension and debarment selection, the University could not find evidence that they checked the suspension and debarment status of the vendor prior to entering into the covered transaction.

While the University has a process in place and internal controls designed to ensure that the procurement and suspension and debarment processes are properly followed, the review of these procurement transactions as part of the internal control over compliance was not operating effectively to ensure the correct procedures were followed.

Effect:

For the procurement selection, not enough vendors were quoted before awarding the contract.

For the suspension and debarment selection, the status of the vendor was not documented before entering into the contract with them which could pose a risk for the University to enter into contracts with vendors who are suspended or debarred. However, this vendor was not suspended or debarred.

Questioned Costs:

None

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Recommendation:

We recommend that the University strengthen its policies and procedures over the review of the contracts that are being entered into to ensure that proper procurement and suspension and debarment procedures are being followed. We also recommend that the University ensure that internal controls in place surrounding review of procurement transactions is performed as designed.

Views of Responsible Officials:

The Office of Contracting and Procurement (OC&P) has modified its procurement process for all Federal Grant funded purchases so that all such purchases now are converted using a standard check list delineating the procurement standards that must be adhered to and are then routed through multiple OC&P staff to eliminate human errors. Such checklist will include Debarment and Suspension checks and verification of compliance with the procurement regulations established in 2 CFR sections 200.318 to 200.326.

State of New Jersey Awards

No findings required to be reported.