



**ROWAN UNIVERSITY FOUNDATION**  
(A Component Unit of Rowan University)

Basic Financial Statements and  
Management's Discussion and Analysis

June 30, 2019 and 2018

(With Independent Auditors' Report Thereon)

**ROWAN UNIVERSITY FOUNDATION**  
(A Component Unit of Rowan University)

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

## Independent Auditors' Report

The Board of Directors  
Rowan University Foundation:

### Report on the Financial Statements

We have audited the accompanying financial statements of Rowan University Foundation (the Foundation), a component unit of Rowan University, as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Foundation'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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

#### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rowan University Foundation, as of June 30, 2019 and 2018, and the changes in its financial position and cash flows 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 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*KPMG LLP*

Short Hills, New Jersey  
November 8, 2019

# Management's Discussion and Analysis (Unaudited)

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## Introduction

This section of Rowan University Foundation's (the Foundation) financial statements presents our discussion and analysis of the Foundation's financial performance during the fiscal years that ended on June 30, 2019 and 2018, and 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 Foundation's basic financial statements, which follow this section.

## Basic Financial Statements

The Foundation's basic financial statements include three financial statements: statement of net position; statement of revenues, expenses, and changes in net position; and statement of cash flows, which have been prepared in accordance with GASB principles. These statements present the Foundation's operations and focus on its assets, liabilities, deferred outflows and inflows of resources, revenues, expenses, and cash flows on an entity-wide basis. The basic financial statements also include notes to the financial statements.

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

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

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

## Statement of Net Position

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

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

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

Net position of the Foundation is divided into three major categories. The first category is restricted net position, which is divided into two categories, nonexpendable and expendable. The corpus of restricted nonexpendable net position is only available for investment purposes. Restricted expendable net position is available for expenditure by the Foundation but must be spent for purposes as determined by donors and/or external entities



# Management's Discussion and Analysis (Unaudited)

that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net position. Unrestricted net position is available to the Foundation for any lawful purpose of the Foundation.

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

<b>Condensed Statements of Net Position</b>			
	<b>2019</b>	<b>2018</b>	<b>2017</b>
Current assets	\$ 8,801,867	12,893,098	8,019,030
Noncurrent assets	228,792,461	217,491,236	201,605,256
Total assets	237,594,328	230,384,334	209,624,286
Current liabilities	169,377	2,291,196	265,334
Noncurrent liabilities	224,574	269,771	1,820,340
Total liabilities	393,951	2,560,967	2,085,674
Deferred inflow of resources	105,397	288,024	286,756
Total deferred inflow of resources	105,397	288,024	286,756
Net position:			
Restricted nonexpendable	151,168,226	142,989,315	133,045,859
Restricted expendable for:			
Scholarships	13,759,210	13,367,979	10,675,561
Other	17,351,002	15,852,763	12,630,162
Unrestricted	54,816,542	55,325,286	50,900,274
Total net position	\$ 237,094,980	227,535,343	207,251,856



# Management's Discussion and Analysis (Unaudited)

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Current assets consist of cash and cash equivalents and the current portion of contributions receivable. Noncurrent assets consist of investments and noncurrent contributions receivable. Current liabilities consist of accounts payable and accrued expenses, amounts due to Rowan University, unearned revenue and the current portion of annuities payable; noncurrent liabilities consist of the noncurrent portion of annuities payable as well as deposits held in custody for Rowan University Alumni Association in 2017.

## *Fiscal Year 2019 Compared to Fiscal Year 2018*

The increase in total assets of \$7,209,994 is primarily attributed to an increase in investments of \$11,877,393 associated with an increase in fair market value and new gifts, and a decrease in cash and cash equivalents of \$4,610,115.

The decrease in total liabilities of \$2,167,016 is primarily attributed to a decrease in the amount due to Rowan University of \$2,038,387 associated with timing of payments on monthly scholarship and transfers from the Foundation to University. In addition, unearned revenue decreased \$44,239 due to continued spending of grant funds and accounts payable and accrued expenses decreased \$30,793 due to timing of payments to vendors.

Deferred inflows of resources decreased \$182,627 due to adjustments for surplus reserve funds and the beneficiary payout of an annuitant's funds.

The total net position increased \$9,559,637. Nonexpendable net position increased \$8,178,911. Expendable restricted net position increased \$1,889,470. Unrestricted net position decreased \$508,744 during the period.

## *Fiscal Year 2018 Compared to Fiscal Year 2017*

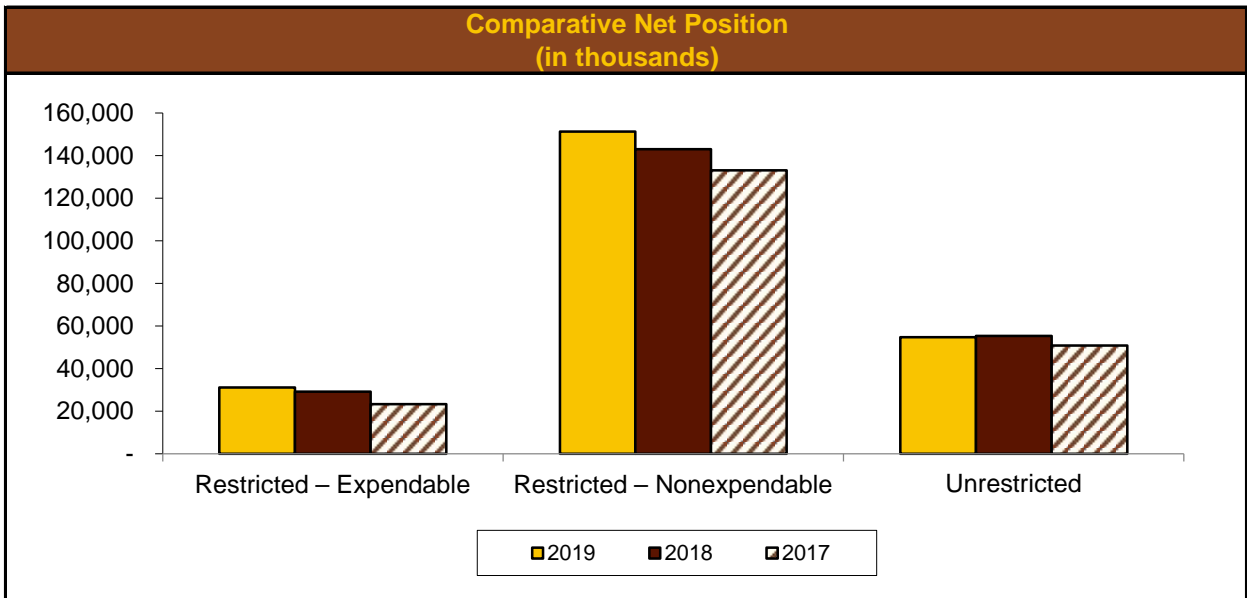
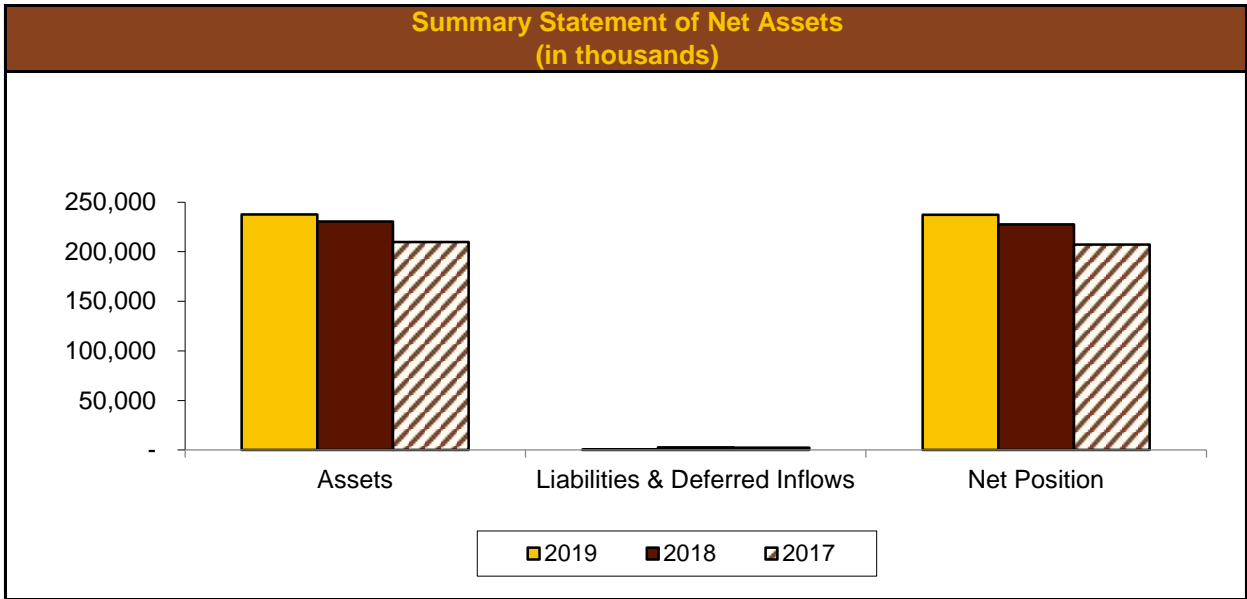
The increase in total assets of \$20,760,048 is primarily attributed to an increase in investments of \$15,253,055 mainly due to an increase in fair market value and new gifts, and an increase in cash and cash equivalents of \$5,052,290.

The increase in total liabilities of \$475,293 is primarily attributed to an increase in the amount due to Rowan University of \$2,125,297, offset by the elimination of the liability for the deposits held in custody for the Association of \$1,538,396. In addition, unearned revenue decreased \$111,807 due to continued spending of grant funds, and accounts payable and accrued expenses increased \$12,372 due to timing of payments to vendors.



# Management's Discussion and Analysis (Unaudited)

The total net position increased \$20,283,487. Nonexpendable net position increased \$9,943,456. Expendable restricted net position increased \$5,915,019. Unrestricted net position increased \$4,425,012 during the period.





# Management's Discussion and Analysis (Unaudited)

## Statement of Revenues, Expenses, and Changes in Net Position

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

Generally speaking, operating revenues are received from expendable contributions to the Foundation. Operating expenses are those expenses paid to carry out the mission of the Foundation. Nonoperating revenues are revenues received for which goods and services are not provided, nonexpendable contributions, and investment income.

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

<b>Condensed Statement of Revenues, Expenses, and Changes in Net Position</b>			
	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>Operating revenues:</b>			
Contributions	\$ 4,967,113	9,177,708	5,808,985
Fund raising events	175,232	27,475	80,148
Other revenue	225,666	35,720	—
Total operating revenues	<u>5,368,011</u>	<u>9,240,903</u>	<u>5,889,133</u>
<b>Operating expenses:</b>			
Materials and supplies	2,532	9,655	2,422
Professional and other services	372,795	391,037	365,394
Other	290,369	91,090	29,677
Grants and scholarships	13,358,337	13,767,017	12,303,711
Total operating expenses	<u>14,024,033</u>	<u>14,258,799</u>	<u>12,701,204</u>
Operating loss	<u>(8,656,022)</u>	<u>(5,017,896)</u>	<u>(6,812,071)</u>
<b>Nonoperating revenues:</b>			
Investment income, net	10,316,620	14,317,734	21,394,247
Transfer from Rowan University Alumni Association	—	1,555,843	—
Net nonoperating revenue	<u>10,316,620</u>	<u>15,873,577</u>	<u>21,394,247</u>
Income before other revenues	<u>1,660,598</u>	<u>10,855,681</u>	<u>14,582,176</u>
Additions to permanent endowments	7,899,039	9,427,806	6,858,625
Increase in net position	<u>9,559,637</u>	<u>20,283,487</u>	<u>21,440,801</u>
Net position as of beginning of year	227,535,343	207,251,856	185,811,055
Net position as of end of year	<u>\$ 237,094,980</u>	<u>227,535,343</u>	<u>207,251,856</u>



# Management's Discussion and Analysis (Unaudited)

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## *Fiscal Year 2019 Compared to Fiscal Year 2018*

Operating revenues decreased \$3,872,892 due primarily to a decrease in contributions of \$4,210,595. Operating expenses decreased \$234,766. Within operating expenses, grants and scholarships decreased \$408,680.

Net nonoperating revenues decreased \$5,556,957. This decrease is largely attributed to a decrease in investment income of \$4,001,114 due primarily to market fluctuation and the \$1,555,843 transfer of the Association position in May 2018.

Permanent endowment contributions for 2019 were \$7,899,039, a \$1,528,767 decrease from the year ended June 30, 2018. The Foundation received the following large contributions during 2019: \$2,491,335 for the Jean & Ric Edelman Fossil Park Endowment fund, \$2,000,000 for the Henry M. Rowan College of Engineering Scholarship fund, and \$1,000,000 for the Rowan SOM Endowed Scholarship fund.

## *Fiscal Year 2018 Compared to Fiscal Year 2017*

Operating revenues increased \$3,351,770 due primarily to an increase in operating contributions of \$3,368,723. Operating expenses increased \$1,557,595. Within operating expenses grants and scholarships increased \$1,463,306.

Net nonoperating revenues decreased \$5,520,670. This decrease is largely attributed to a decrease in investment income of \$6,867,028 due primarily to the market fluctuation, and an increase of \$209,485 in investment expense, offset by the \$1,555,843 of net position transferred from the Association.

Permanent endowment contributions for 2018 were \$9,427,806, a \$2,569,181 increase from the year ended June 30, 2017. The Foundation received the following contributions during 2018: \$5,000,000 for the Henry M. Rowan College of Engineering Endowment and \$2,491,035 for Jean & Ric Edelman Fossil Park Endowment.



**ROWAN UNIVERSITY FOUNDATION**  
**(A Component Unit of Rowan University)**

Statements of Net Position

June 30, 2019 and 2018

<b>Assets</b>	<b>2019</b>	<b>2018</b>
<b>Current assets:</b>		
Cash and cash equivalents (note 2)	\$ 5,181,332	8,473,779
Restricted cash and cash equivalents (note 2)	2,814,142	4,131,810
Contributions receivable, net (note 3)	71,664	12,561
Restricted contributions receivable, net (note 3)	734,729	274,948
Total current assets	<u>8,801,867</u>	<u>12,893,098</u>
<b>Noncurrent assets:</b>		
Investments, at fair value (note 2)	49,672,329	49,040,374
Restricted investments, at fair value (note 2)	26,978,584	23,912,057
Restricted nonexpendable investments, at fair value (note 2)	151,168,226	142,989,315
Contributions receivable, net (note 3)	31,364	7,898
Restricted contributions receivable, net (note 3)	941,958	1,541,592
Total noncurrent assets	<u>228,792,461</u>	<u>217,491,236</u>
Total assets	<u>237,594,328</u>	<u>230,384,334</u>
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	53,237	84,030
Due to Rowan University	86,910	2,125,297
Unearned revenue	—	44,239
Annuities payable	29,230	37,630
Total current liabilities	<u>169,377</u>	<u>2,291,196</u>
<b>Noncurrent liabilities (note 5):</b>		
Annuities payable	<u>224,574</u>	<u>269,771</u>
Total noncurrent liabilities	<u>224,574</u>	<u>269,771</u>
Total liabilities	<u>393,951</u>	<u>2,560,967</u>
<b>Deferred Inflow of Resources</b>		
<b>Deferred inflows of resources:</b>		
Split-interest agreements	<u>105,397</u>	<u>288,024</u>
Total deferred inflow of resources	<u>105,397</u>	<u>288,024</u>
<b>Net Position</b>		
<b>Restricted (note 4):</b>		
Nonexpendable (note 6)	151,168,226	142,989,315
Expendable:		
Scholarships	13,759,210	13,367,979
Other	17,351,002	15,852,763
Unrestricted	<u>54,816,542</u>	<u>55,325,286</u>
Total net position	<u>\$ 237,094,980</u>	<u>227,535,343</u>

See accompanying notes to financial statements.

**ROWAN UNIVERSITY FOUNDATION**  
**(A Component Unit of Rowan University)**

Statements of Revenues, Expenses, and Changes in Net Position

Years ended June 30, 2019 and 2018

	<b>2019</b>	<b>2018</b>
Operating revenues:		
Contributions	\$ 4,967,113	9,177,708
Fundraising events	175,232	27,475
Other revenue	225,666	35,720
Total operating revenues	<u>5,368,011</u>	<u>9,240,903</u>
Operating expenses:		
Materials and supplies	2,532	9,655
Professional and other services	372,795	391,037
Other	290,369	91,090
Grants and scholarships:		
Grants to Rowan University (note 4)	10,928,523	11,061,684
Student scholarships	2,414,001	2,693,154
Other grants	15,813	12,179
Total operating expenses	<u>14,024,033</u>	<u>14,258,799</u>
Operating loss	<u>(8,656,022)</u>	<u>(5,017,896)</u>
Nonoperating revenues (expenses):		
Investment income, net of investment expenses	10,316,620	14,317,734
Transfer from Rowan University Alumni Association (note 5)	—	1,555,843
Net nonoperating revenues	<u>10,316,620</u>	<u>15,873,577</u>
Income before other revenues	<u>1,660,598</u>	<u>10,855,681</u>
Additions to permanent endowments	<u>7,899,039</u>	<u>9,427,806</u>
Increase in net position	<u>9,559,637</u>	<u>20,283,487</u>
Net position as of beginning of year	<u>227,535,343</u>	<u>207,251,856</u>
Net position as of end of year	<u>\$ 237,094,980</u>	<u>227,535,343</u>

See accompanying notes to financial statements.

**ROWAN UNIVERSITY FOUNDATION**  
**(A Component Unit of Rowan University)**

Statements of Cash Flows

Years ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Payments to suppliers	\$ (449,376)	(479,410)
Payments for grants and scholarships	(15,396,724)	(10,586,147)
Contributions	4,591,375	7,555,625
Receipts from Rowan University Alumni Association	—	17,447
Fundraising events	175,232	27,475
Other revenue	225,667	35,720
Net cash used by operating activities	<u>(10,853,826)</u>	<u>(3,429,290)</u>
Cash flows from noncapital financing activities:		
Contributions to permanent endowments	7,823,960	9,427,806
Payments to annuitants	(30,630)	(37,070)
Net cash provided by noncapital financing activities	<u>7,793,330</u>	<u>9,390,736</u>
Cash flows from investing activities:		
Investment income	3,658,732	3,703,336
Purchases of investments	(38,897,690)	(25,676,970)
Sales of investments	33,689,339	21,064,478
Net cash used by investing activities	<u>(1,549,619)</u>	<u>(909,156)</u>
Net (decrease) increase in cash and cash equivalents	(4,610,115)	5,052,290
Cash and cash equivalents as of beginning of the year	12,605,589	7,553,299
Cash and cash equivalents as of end of the year	<u>\$ 7,995,474</u>	<u>12,605,589</u>
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (8,656,022)	(5,017,896)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Changes in assets and liabilities and deferred inflows of resources:		
Contributions receivable	57,284	(454,703)
Accounts payable and accrued expenses	(30,793)	12,372
Due to Rowan University	(2,038,387)	2,125,297
Unearned revenue	(44,239)	(111,807)
Annuity Remainder Interest	(141,669)	—
Deposits held in custody for Rowan University Alumni Association	—	17,447
Net cash used by operating activities	<u>\$ (10,853,826)</u>	<u>(3,429,290)</u>
Noncash transactions:		
Grants to Rowan University:		
Supplies	\$ —	344,988
Equipment	—	57,640
Land	—	164,470
Building	—	488,475
Transfer from Rowan University Alumni Association	—	1,538,396
Increase in deferred inflows of resources	4,239	1,268
Increase in fair value of investments	6,669,041	10,640,563

See accompanying notes to financial statements.

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

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## (1) Organization and Summary of Significant Accounting Policies

### *Organization*

Rowan University Foundation (the Foundation) was created to assist the board of trustees and the President of Rowan University (the University) in their efforts to achieve and advance the mission of the University. The Foundation's board of directors is appointed by the board of trustees of the University. The primary purpose of the Foundation is to raise money and obtain gifts-in-kind and to channel those monies and gifts to the University in meeting its educational mission. Although the University does not control the timing or amount of receipts from the Foundation, the resources the Foundation holds are invested and used exclusively for the benefit, support, and promotion of the University and its students for educational activities. The Foundation is considered a component unit of the University and is discretely presented in the University's financial statements. The University provides accounting, accounts payable and payroll services for the Foundation. The Foundation is an organization described under Section 501(c)(3) of the Internal Revenue Code and therefore exempt from Federal income taxes under Section 501(a) of the Code.

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

### *Summary of Significant Accounting Policies*

#### **(a) Basis of Presentation**

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

The Foundation classifies net position into the following:

- Restricted:

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



**ROWAN UNIVERSITY FOUNDATION**

(A Component Unit of Rowan University)

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

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

- Unrestricted:

Net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or the board of directors.

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

### **(b) Measurement Focus and Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting utilizing the economic resources measurement focus. The Foundation reports as a business-type activity, as defined by GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

### **(c) Revenue Recognition**

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

### **(d) Classification of Revenue**

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

### **(e) Cash and Cash Equivalents**

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

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



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

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### **(f) Investments**

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

### **(g) Annuities Payable**

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

### **(h) Use of Estimates**

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

### **(i) Risks and Uncertainties**

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

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

### **(j) Reclassification**

Certain reclassifications of 2018 amounts have been made to conform to the 2019 presentation.





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

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

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

	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:

	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>

	2019	2018
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 years 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



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

had been held in more than one fiscal year and sold in the current year were included as a change in the fair value of investments reported in the prior year and the current year.

The Foundation has an investment policy, which establishes guidelines for permissible investments. The Foundation may invest in domestic equity securities, international equity securities, fixed income securities, real estate investments and venture capital investments. The Foundation's cash and cash equivalents and investments are subject to various risks. Among these risks are custodial credit risk, credit risk and interest rate risk. Each one of these risks is discussed below.

Custodial credit risk is the risk that in the event of a bank failure, the Foundation's deposits may not be returned to it. Cash and money market accounts were held at a depository and bank balances amounted to \$7,935,997 and \$12,615,771, as of June 30, 2019 and 2018, respectively. Of these amounts, \$260,630 and \$365,678, was FDIC insured as of June 30, 2019 and 2018, respectively, leaving uninsured and uncollateralized balances of \$7,675,367 and \$12,250,093, respectively.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The credit risk of a debt instrument is measured by nationally recognized statistical rating agencies such as Standard and 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	
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	\$ <u>27,480,235</u>		



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

2018		
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	\$ <u>22,256,803</u>	

### *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.



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

- Alternative investments (including absolute return, private equity and realty investments) – The fair value is based off of the net asset value (NAV), which is provided by the investment managers and reviewed by the management for reasonableness.

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

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

	Total	Level 1	Level 2	Level 3
Investments measured at fair value:				
Bond mutual funds (domestic)	\$ 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:

	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:

	Fair value	Unfunded commitments	Redemption frequency (if currently eligible)	Redemption notice period
Absolute return <sup>(a)</sup> \$	32,455,426	None	Quarterly	65–100 days
Private equity <sup>(b)</sup>	27,491,854	25,251,000	Illiquid	Not applicable
Realty investments <sup>(c)</sup>	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:

	Fair value	Unfunded commitments	Redemption frequency (if currently eligible)	Redemption notice period
Absolute return <sup>(a)</sup>	\$ 32,393,018	None	Quarterly	65–100 days
Private equity <sup>(b)</sup>	19,667,196	16,389,000	Illiquid	Not applicable
Realty investments <sup>(c)</sup>	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, respectively. The funds seek to achieve capital appreciations through various strategies, including long/short equity, long/short credit, relative value and other market neutral strategies. 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 9 funds. Capital is distributed to investors as the funds' investments are liquidated over that time period.
- (c) Realty investments includes 9 and 8 funds as of June 30, 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.



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

### (3) Contributions Receivable

Contributions receivable as of June 30, 2019 and 2018 are expected to be collected as follows:

	2019	2018
Year ending June 30:		
Less than one year	\$ 904,721	287,509
One to five years	851,701	1,299,751
More than five years	271,336	390,685
	<u>2,027,758</u>	<u>1,977,945</u>
Less present value discount at 1.2%–5.6%	(98,488)	(140,946)
Less allowance for doubtful accounts	(149,555)	—
	<u>\$ 1,779,715</u>	<u>1,836,999</u>

### (4) Donor Restricted Endowment

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

Each January, the Foundation's board of directors approves an unrestricted annual appropriation from the Rowan Endowment to the University based upon the current spending policy. Currently, the spending policy is 4.5% of a twelve quarter rolling market value. The Foundation also contributes other restricted funds to the University. For the years ended June 30, 2019 and 2018, such contributions were \$10,928,523 and \$11,061,684, respectively.

The fair value of the Foundation's donor restricted endowment assets as of June 30, 2019 and 2018 were \$218,807,837 and \$209,046,046, respectively. This value represents accumulated appreciation in the amount of \$67,639,611 and \$66,056,731, respectively. This appreciation is reflected in the unrestricted and restricted expendable net position balances in the amounts of \$47,305,874 and \$20,333,737, respectively in 2019 and \$47,352,326 and \$18,704,405, respectively in 2018.



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

### (5) Noncurrent Liabilities

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

	Beginning balance	2019			Ending balance	Current portion	Noncurrent portion
		Additions	Reductions				
Annuities payable	\$ 307,401	19,316	72,913	253,804	29,230	224,574	
	<u>\$ 307,401</u>	<u>19,316</u>	<u>72,913</u>	<u>253,804</u>	<u>29,230</u>	<u>224,574</u>	

	Beginning balance	2018			Ending balance	Current portion	Noncurrent portion
		Additions	Reductions				
Deposits held in custody for Association	\$ 1,538,396	17,447	1,555,843	—	—	—	
Annuities payable	319,574	24,897	37,070	307,401	37,630	269,771	
	<u>\$ 1,857,970</u>	<u>42,344</u>	<u>1,592,913</u>	<u>307,401</u>	<u>37,630</u>	<u>269,771</u>	

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





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

### (6) Restricted Nonexpendable Net Position

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

	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
Rowan SOM Endowed Scholarship	1,000,000	—
Other endowment funds	15,299,369	13,142,093
	<u>\$ 151,168,226</u>	<u>142,989,315</u>

### (7) Designation of Unrestricted Net Position

Designated unrestricted net position as of June 30, 2019 and 2018 consists of \$3,168,442 and \$100,643 of board designated funds. For 2019, the Foundation Board of Directors formally recognized certain unrestricted invested funds as quasi endowments in May 2019. For 2018, the Foundation had a fund for which the donor had expressed an intent to have their contribution endowed, but had not yet signed a formal donor agreement. The Foundation had designated that fund to the endowment with the expectation that the funds would be transferred to a nonexpendable net position upon completion of the donor agreement, which occurred in 2019.

