



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

Basic Financial Statements and  
Management's Discussion and Analysis

June 30, 2017 and 2016

(With Independent Auditors' Report Thereon)

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

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## 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, 2017 and 2016, 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 respective financial position of Rowan University Foundation, as of June 30, 2017 and 2016, and the respective 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  
October 27, 2017

**ROWAN UNIVERSITY FOUNDATION**  
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Management's Discussion and Analysis (Unaudited)  
June 30, 2017 and 2016

**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, 2017 and 2016, and comparative amounts for the year ended June 30, 2015. 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: Statements of Net Position; Statements of Revenues, Expenses, and Changes in Net Position; and Statements of Cash Flows, which have been prepared in accordance with Governmental Accounting Standards Board (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.

In 2016, the Foundation adopted GASB Statement No. 80, *Blending Requirements for Certain Component Units* (GASB 80). The statement amends the blending requirements for financial statement presentation of component units of all state and local governments to include an additional criterion that requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The Foundation has elected to early adopt GASB 80 and, as such, the Fund, which was previously discretely presented in a separate column, has been blended into the Foundation's financial statements.

**Statements of Net Position**

The Statements of Net Position present the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the Foundation as of the end of the fiscal year. The Statements of Net Position are point of time financial statements. The purpose of the Statements of Net Position is to present to the readers of the financial statements a fiscal snapshot of the Foundation. The Statements of Net Position present 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 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 Statements 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 Statements of Net Position provide 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 Foundation.

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Net position of the Foundation is divided into three major categories. The first category is restricted net position, which is divided into two categories, nonexpendable and expendable. The corpus of restricted nonexpendable net position is only available for investment purposes. Restricted expendable net position is available for expenditure by the Foundation but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net position. Unrestricted net position is available to the Foundation for any lawful purpose of the Foundation.

A summary of the Foundation's assets, liabilities, and net position as of June 30, 2017, 2016 and 2015 follows:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
		(In thousands)	
Current assets	\$ 8,019	8,889	10,660
Noncurrent assets	<u>201,605</u>	<u>181,177</u>	<u>180,730</u>
Total assets	<u>209,624</u>	<u>190,066</u>	<u>191,390</u>
Current liabilities	265	2,372	1,597
Noncurrent liabilities	<u>1,820</u>	<u>1,683</u>	<u>1,586</u>
Total liabilities	<u>2,085</u>	<u>4,055</u>	<u>3,183</u>
Net position:			
Restricted nonexpendable	133,313	126,454	116,772
Restricted expendable for:			
Scholarships	9,210	9,476	8,853
Other	11,984	7,652	10,933
Unrestricted	<u>53,032</u>	<u>42,429</u>	<u>51,649</u>
Total net position	<u>\$ 207,539</u>	<u>186,011</u>	<u>188,207</u>

Current assets consist of cash and cash equivalents, prepaid assets, 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 deposits held in custody for Rowan University Alumni Association as well as the noncurrent portion of annuities payable.

*Fiscal Year 2017 Compared to Fiscal Year 2016*

The increase in total assets of \$19,557,723 is primarily attributed to an increase in investments of \$20,501,485 mainly due to an increase in fair market value, offset by a decrease in cash and cash equivalents of \$1,024,263.

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The decrease in total liabilities of \$1,969,499 is primarily attributed to a decrease in the amount due to Rowan University of \$1,491,795 related to the funding received from the Robert Wood Johnson Foundation that was paid to Rowan University in fiscal year 2017. In addition, unearned revenue decreased \$520,613 due to continued spending of grant funds, and accounts payable and accrued expenses decreased \$108,013 due to timing of payments to vendors.

The total net position increased \$21,527,222. Nonexpendable net position increased \$6,858,625. Expendable restricted net position increased \$4,066,266. Unrestricted net position increased \$10,602,331 during the period.

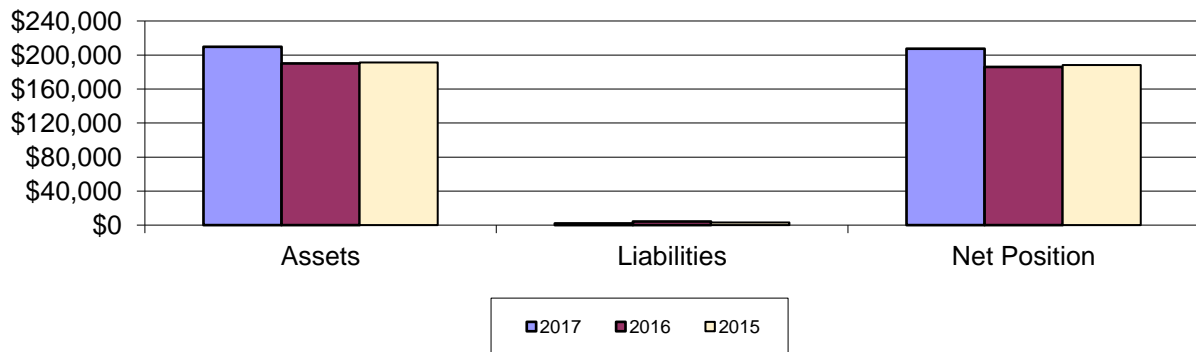
*Fiscal Year 2016 Compared to Fiscal Year 2015*

The decrease in total assets of \$1,323,279 is primarily attributed to a decrease in contributions receivable of \$1,162,860 mainly due to the receipt of the Inductotherm Scholarship funding of \$963,234.

The increase in total liabilities of \$872,234 is mainly attributed to an increase in the amount due to Rowan University of \$528,561 related to the \$1,491,795 of funding received from the Robert Wood Johnson Foundation that has not yet been paid to Rowan University, which was offset by the \$963,234 payment made to Rowan for the Inductotherm Scholarships. In addition, unearned revenue increased \$145,590 due to additional cash received from the Robert Wood Foundation grant, however not yet earned, and accounts payable and accrued expenses increased \$94,183 due to timing of payments to vendors.

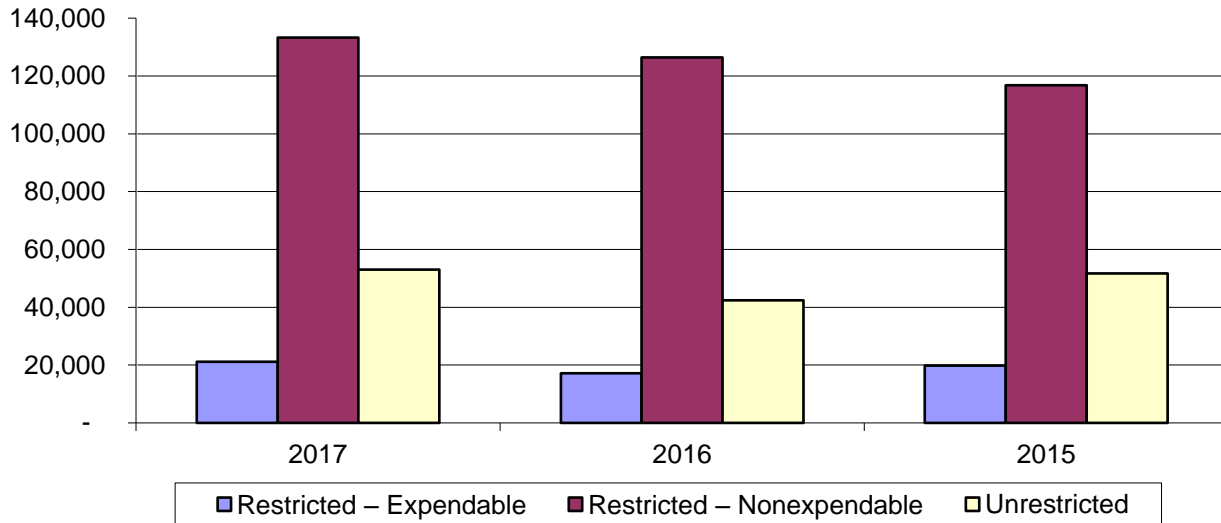
The total net position decreased \$2,195,513. Nonexpendable net position increased \$9,681,972. Expendable restricted net position decreased \$2,657,616. Unrestricted net position decreased \$9,219,869 during the period.

**Summary of Statement of Net Position**  
**Years ended June 30**  
**(In thousands)**



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**Comparative Net Position**  
**Years ended June 30**  
(In thousands)



**Statements of Revenues, Expenses, and Changes in Net Position**

Changes in total net position as presented on the Statements of Net Position are based on the activity presented in the Statements of Revenues, Expenses, and Changes in Net Position. The purpose of the statement is to present the revenues received by 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.



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The Statements 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, 2017, 2016 and 2015 follows:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
		(In thousands)	
Operating revenues:			
Contributions	\$ 6,034	6,687	3,916
Fund raising events	80	112	93
Total operating revenues	<u>6,114</u>	<u>6,799</u>	<u>4,009</u>
Operating expenses:			
Materials and supplies	2	46	13
Professional and other services	365	677	379
Other	30	21	27
Grants and scholarships	12,304	14,362	10,174
Total operating expenses	<u>12,701</u>	<u>15,106</u>	<u>10,593</u>
Operating loss	<u>(6,587)</u>	<u>(8,307)</u>	<u>(6,584)</u>
Nonoperating revenues (expenses):			
Investment income (loss)	21,666	(3,305)	6,304
Investment expenses	(232)	(210)	(212)
Adjustment to actuarial liability for annuities payable	(178)	(56)	(11)
Pledge redesignated by donor	—	—	(4,153)
Net nonoperating revenue (expenses)	<u>21,256</u>	<u>(3,571)</u>	<u>1,928</u>
Income (loss) before other revenues	14,669	(11,878)	(4,656)
Additions to permanent endowments	<u>6,859</u>	<u>9,682</u>	<u>3,555</u>
Increase (decrease) in net position	21,528	(2,196)	(1,101)
Net position as of beginning of year	<u>186,011</u>	<u>188,207</u>	<u>189,308</u>
Net position as of end of year	<u>\$ 207,539</u>	<u>186,011</u>	<u>188,207</u>

*Fiscal Year 2017 Compared to Fiscal Year 2016*

Operating revenues decreased \$684,458 due primarily to a decrease in operating contributions of \$652,669. Operating expenses decreased \$2,404,628. Within operating expenses grants and scholarships decreased \$2,057,999.

Net nonoperating revenues increased \$24,825,912. This increase is largely attributed to an increase in investment income of \$24,948,024 due primarily to the market fluctuation, offset by an increase of \$122,112 in the adjustment to actuarial liability for annuities payable and an increase of \$22,453 in investment expense.

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Permanent endowment contributions for 2017 were \$6,858,625. This is a \$2,823,347 decrease from the year ended June 30, 2016. The Foundation received the following contributions during 2017: \$4,000,000 for the Henry M. Rowan College of Engineering Endowment and \$1,006,407 for Jean & Rick Edelman Fossil Park Endowment.

*Fiscal Year 2016 Compared to Fiscal Year 2015*

Operating revenues increased \$2,789,954 due primarily to an increase in operating contributions of \$2,771,131. Operating expenses increased \$4,512,668. Within operating expenses, grants and scholarships increased \$4,187,317 due to the funding of additional scholarships to the University.

Net nonoperating revenues decreased \$5,498,488. This decrease is largely attributed to a decrease in investment income of \$9,609,519 due primarily to the market fluctuation, offset by a nonrecurring reduction of revenues of \$4,153,205 recognized in fiscal year 2015 due to the redesignation of contribution revenue related to the William G. Rohrer Fund for Excellence in Business to an endowment fund by the donor.

Permanent endowment contributions for 2016 were \$9,681,972. This is a \$6,126,956 increase from the year ended June 30, 2015. The Foundation received the following contributions during 2016: \$4,000,000 for the Henry M. Rowan College of Engineering Endowment; \$1,000,000 for to the Henry M. Rowan College of Engineering Endowment for Engineering Scholarships; \$1,000,000 for the Inspira Health Network Endowment; and \$1,000,000 for the Camden Medical School at Rowan University Loan Assistance Program.

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Statements of Net Position

June 30, 2017 and 2016

<b>Assets</b>	<b>2017</b>	<b>2016</b>
<b>Current assets:</b>		
Cash and cash equivalents (note 2)	\$ 5,552,834	6,130,786
Restricted cash and cash equivalents (note 2)	2,000,465	2,446,776
Prepaid assets	—	3,600
Contributions receivable, net (note 3)	38,238	83,361
Restricted contributions receivable, net (note 3)	427,493	224,854
Total current assets	8,019,030	8,889,377
<b>Noncurrent assets:</b>		
Investments, at fair value (note 2)	48,962,338	38,027,195
Restricted investments, at fair value (note 2)	18,413,656	15,705,939
Restricted nonexpendable investments, at fair value (note 2)	133,312,697	126,454,072
Contributions receivable, net (note 3)	6,670	18,149
Restricted contributions receivable, net (note 3)	909,895	971,831
Total noncurrent assets	201,605,256	181,177,186
Total assets	209,624,286	190,066,563
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	71,658	179,671
Due to Rowan University	—	1,491,795
Unearned revenue	156,046	676,659
Annuities payable	37,630	23,880
Total current liabilities	265,334	2,372,005
<b>Noncurrent liabilities (note 5):</b>		
Deposits held in custody for Rowan University Alumni Association	1,538,396	1,533,237
Annuities payable	281,944	149,931
Total noncurrent liabilities	1,820,340	1,683,168
Total liabilities	2,085,674	4,055,173
<b>Net Position</b>		
<b>Restricted:</b>		
Nonexpendable (note 6)	133,312,697	126,454,072
Expendable:		
Scholarships	9,209,663	9,476,468
Other	11,984,621	7,651,550
Unrestricted	53,031,631	42,429,300
Total net position	\$ 207,538,612	186,011,390

See accompanying notes to basic financial statements.

**ROWAN UNIVERSITY FOUNDATION**  
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Statements of Revenues, Expenses, and Changes in Net Position  
Years ended June 30, 2017 and 2016

	<b>2017</b>	<b>2016</b>
Operating revenues:		
Contributions (note 3)	\$ 6,033,985	6,686,654
Fundraising events	80,148	111,937
Total operating revenues	6,114,133	6,798,591
Operating expenses:		
Materials and supplies	2,422	45,930
Professional and other services	365,394	676,907
Other	29,677	21,285
Grants and scholarships:		
Grants to Rowan University (note 4)	9,307,903	11,888,095
Student scholarships	2,974,590	2,413,046
Other grants	21,218	60,569
Total operating expenses	12,701,204	15,105,832
Operating loss	(6,587,071)	(8,307,241)
Nonoperating revenues (expenses):		
Investment income (loss), net of investment expenses	21,433,628	(3,514,396)
Adjustment to actuarial liability for annuities payable	(177,960)	(55,848)
Net nonoperating revenues (expenses)	21,255,668	(3,570,244)
Income (loss) before other revenues	14,668,597	(11,877,485)
Additions to permanent endowments	6,858,625	9,681,972
Increase (decrease) in net position	21,527,222	(2,195,513)
Net position as of beginning of year	186,011,390	188,206,903
Net position as of end of year	\$ 207,538,612	186,011,390

See accompanying notes to basic financial statements.

**ROWAN UNIVERSITY FOUNDATION**  
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Statements of Cash Flows

Years ended June 30, 2017 and 2016

	<b>2017</b>	<b>2016</b>
Cash flows from operating activities:		
Payments to suppliers	\$ (501,906)	(653,539)
Payments for grants and scholarships	(13,527,670)	(12,813,623)
Contributions	5,161,435	6,975,578
Receipts from Rowan University Alumni Association	(30,423)	121,025
Fundraising events	80,148	111,937
Net cash used by operating activities	(8,818,416)	(6,258,622)
Cash flows from noncapital financing activities:		
Contributions to permanent endowments	6,858,625	9,681,972
Payments to annuitants	(32,197)	(21,502)
Net cash provided by noncapital financing activities	6,826,428	9,660,470
Cash flows from investing activities:		
Investment income	2,563,392	2,579,011
Purchases of investments	(21,058,277)	(13,997,652)
Sales of investments	19,462,610	7,051,128
Net cash provided by (used by) investing activities	967,725	(4,367,513)
Net decrease in cash and cash equivalents	(1,024,263)	(965,665)
Cash and cash equivalents as of beginning of the year	8,577,562	9,543,227
Cash and cash equivalents as of end of the year	\$ 7,553,299	8,577,562
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (6,587,071)	(8,307,241)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Noncash transactions:		
Unrealized (gain)/loss on deposits held in custody	(35,582)	51,471
Changes in assets and liabilities:		
Prepaid assets	3,600	(3,600)
Contributions receivable	(84,101)	1,162,860
Accounts payable and accrued expenses	(108,013)	94,183
Due (from) to Rowan University	(1,491,795)	528,561
Unearned revenue	(520,613)	145,590
Deposits held in custody for Rowan University Alumni Association	5,159	69,554
Net cash used by operating activities	\$ (8,818,416)	(6,258,622)
Noncash transactions:		
Grants to Rowan University:		
Supplies	\$ 41,358	29,480
Equipment	226,478	20,000
Land	—	955,046
Musical instrument	—	15,000
Adjustment to actuarial liability for annuities payable	(177,960)	(55,848)
Increase/(decrease) in fair value of investments	18,870,236	(6,093,407)

See accompanying notes to basic financial statements.

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Notes to Basic Financial Statements

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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. See note 1(k) for further information. 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.

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The Foundation classifies net position into the following:

- Restricted:

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

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

- Unrestricted:

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

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

**(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.

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

**(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. Changes in the life expectancy of the donor or annuitant, amortization of the discount and other changes in the estimates of future payments are reported as an adjustment to actuarial liability for annuities payable in the accompanying statements of revenues, expenses, and changes in net position.

**(h) Deposits Held in Custody for Rowan University Alumni Association**

Cash, cash equivalents, and investments are held by the Foundation for the Rowan University Alumni Association (the Association) and are classified as deposits held in custody for the Association in the accompanying statements of net position. These funds are combined with the Foundation's assets in order to create a larger scale investment program.

**(i) 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.

**(j) 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.



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

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

As of June 30, 2017 and 2016, the Foundation's cash, cash equivalents and investments are reported on the statements of net position as follows:

	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 5,552,834	6,130,786
Restricted cash and cash equivalents	2,000,465	2,446,776
	<u>\$ 7,553,299</u>	<u>8,577,562</u>
Investments	\$ 48,962,338	38,027,195
Restricted investments	18,413,656	15,705,939
Restricted nonexpendable investments	133,312,697	126,454,072
	<u>\$ 200,688,691</u>	<u>180,187,206</u>

Cash, cash equivalents, restricted nonexpendable investments and investments consist of the following as of June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Cash and cash equivalents:		
Cash	\$ 5,496,058	7,033,835
State of New Jersey Cash Management Fund	—	163,375
Money market funds	2,057,241	1,380,352
	<u>\$ 7,553,299</u>	<u>8,577,562</u>
Investments:		
Bond mutual funds (domestic)	\$ 25,697,231	14,547,659
Common stock mutual funds (domestic)	70,532,206	68,985,432
Common stock mutual funds (international)	44,653,448	35,871,251
Venture capital investments	1,380,050	386,200
Alternative investments	58,425,756	60,396,664
	<u>\$ 200,688,691</u>	<u>180,187,206</u>

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For the years ended June 30, 2017 and 2016, the increase (decrease) in fair value on investments was \$18,870,236 and (\$6,093,407), respectively and the net realized gain on investments for June 30, 2017 and 2016 was \$8,739,613 and \$2,079,843, respectively. The calculation of realized gains and losses is independent of a calculation of the net change in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year were included as a change in the fair value of investments reported in the prior year and the current year.

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

Custodial credit risk is the risk that in the event of a bank failure, the Foundation's deposits may not be returned to it. Cash and money market accounts were held at a depository and bank balances amounted to \$8,275,115 and \$9,209,762, as of June 30, 2017 and 2016 respectively. Of these amounts, \$250,000 was FDIC insured, leaving uninsured and uncollateralized balances of \$8,025,115 and \$8,959,762.

During fiscal year, 2017 the Foundation terminated the account with the State of New Jersey Cash Management Fund (NJCMF) wherein amounts also contributed by other State entities are combined in a large-scale investment program. The Foundation deposits in the NJCMF were \$163,375 as of June 30, 2016. The June 30, 2016 amounts were collateralized in accordance with New Jersey Statutes 52:18-16-1, but not in the Foundation's name. The NJCMF is unrated with an average portfolio maturity at less than one year.

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, 2017 and 2016, 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.

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The Foundation's investments' average effective duration for June 30, 2017 and 2016 are as follows:

<b>2017</b>		
<b>Investment type</b>	<b>Fair value</b>	<b>Average effective duration</b>
Bond mutual funds (domestic)	\$ 6,912,720	5.49 years
Bond mutual funds (domestic)	6,854,107	5.67 years
Bond mutual funds (domestic)	3,963,636	0.04 years
Bond mutual funds (domestic)	156,807	5.97 years
Bond mutual funds (domestic)	7,809,961	5.62 years
Total	\$ 25,697,231	

<b>2016</b>		
<b>Investment type</b>	<b>Fair value</b>	<b>Average effective duration</b>
Bond mutual funds (domestic)	\$ 5,650,896	5.43 years
Bond mutual funds (domestic)	5,643,497	4.67 years
Bond mutual funds (domestic)	3,172,187	0.19 years
Bond mutual funds (domestic)	81,079	7.71 years
Total	\$ 14,547,659	

*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

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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.
- State of New Jersey Cash Management Fund – The fair value of the State of New Jersey Cash Management Fund is based on the quoted market price on an inactive market 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.

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The Foundation's financial instruments at June 30, 2017 are summarized in the following table by their fair value hierarchy:

	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Investments measured at fair value:				
Common stock mutual funds (domestic)	\$ 70,532,206	70,532,206	—	—
Common stock mutual funds (international)	44,653,448	44,653,448	—	—
Bond mutual funds (domestic)	25,697,231	25,697,231	—	—
Venture capital investments	1,380,050	—	—	1,380,050
Subtotal	142,262,935	\$ 140,882,885	—	1,380,050
Investments measured at net asset value:				
Absolute return	32,940,990			
Private equity	17,824,444			
Realty investments	7,660,322			
Subtotal	58,425,756			
Total cash equivalents and investments	\$ 200,688,691			

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The Foundation's financial instruments at June 30, 2016 are summarized in the following table by their fair value hierarchy:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments measured at fair value:				
Common stock mutual funds (domestic)	\$ 68,985,432	68,985,432	—	—
Common stock mutual funds (international)	35,871,251	35,871,251	—	—
Bond mutual funds (domestic)	14,547,659	14,547,659	—	—
Venture capital investments	386,200	—	—	386,200
Subtotal	<u>119,790,542</u>	<u>\$ 119,404,342</u>	<u>—</u>	<u>386,200</u>
Investments measured at net asset value:				
Absolute return	38,187,359			
Private equity	17,928,718			
Realty investments	4,280,587			
Subtotal	<u>60,396,664</u>			
Total cash equivalents and investments	<u>\$ 180,187,206</u>			

*Investments Measured at NAV*

The following table represents the unfunded commitments and redemption terms by investment type as of June 30, 2017:

	<u>Fair value</u>	<u>Unfunded commitments</u>	<u>Redemption frequency (if currently eligible)</u>	<u>Redemption notice period</u>
Absolute return <sup>(a)</sup>	\$ 32,940,990	None	Quarterly	65–100 days
Private equity <sup>(b)</sup>	17,824,444	15,383,000	Illiquid	Not applicable
Realty investments <sup>(c)</sup>	7,660,322	8,559,000	Illiquid	Not applicable
	<u>\$ 58,425,756</u>			

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The following table represents the unfunded commitments and redemption terms by investment type as of June 30, 2016:

	<u>Fair value</u>	<u>Unfunded commitments</u>	<u>Redemption frequency (if currently eligible)</u>	<u>Redemption notice period</u>
Absolute return <sup>(a)</sup>	\$ 38,187,359	2,000,000	Quarterly	65–100 days
Private equity <sup>(b)</sup>	17,928,718	11,847,685	Illiquid	Not applicable
Realty investments <sup>(c)</sup>	<u>4,280,587</u>	1,666,818	Illiquid	Not applicable
	<u>\$ 60,396,664</u>			

- (a) Absolute return includes 3 hedge 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 \$19.8 million, redemptions are restricted due to lockup provisions through March 31, 2019, 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 11 funds that 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 7 funds. 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.

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**(3) Contributions Receivable**

Contributions receivable as of June 30, 2017 and 2016 are expected to be collected as follows:

	<b>2017</b>	<b>2016</b>
Year ending June 30:		
Less than one year	\$ 465,731	308,215
One to five years	791,103	800,867
More than five years	306,395	500,450
	1,563,229	1,609,532
Less present value discount at 5%	(180,933)	(311,337)
	\$ 1,382,296	1,298,195

In 2005, the Foundation received a major gift in the form of an unconditional promise to give from the William G. Rohrer Charitable Foundation, the purpose of which is to provide financial support to the University's College of Business in the amount of \$10,000,000 payable in installments of \$500,000 per year for twenty years. In recognition of this unconditional promise to give, the College of Business was named the William G. Rohrer College of Business. In December 2014, the donor made an amendment to the original donation agreement to:

- a) Beginning with the December 2014 pledge payment, direct the remaining 11 pledge payments of \$500,000 each to establish and build a permanent endowment to support the William G. Rohrer College of Business.
- b) Authorize the balance of previous pledge payments be added to the newly established endowment.

**(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 four and one half percent of a twelve quarter rolling market value. The Foundation also contributes other restricted funds to the University. For the years ended June 30, 2017 and 2016, such contributions were \$9,307,903 and \$11,888,095, respectively.

The fair value of the Foundation's endowment assets as of June 30, 2017 and 2016 were \$191,835,489 and \$173,209,103, respectively. This value represents accumulated appreciation in the amount of \$58,522,791 and \$46,755,031, respectively. This appreciation is reflected in the unrestricted and restricted



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expendable net position balances in the amounts of \$44,083,834 and \$14,438,957, respectively in 2017 and \$35,771,694 and \$10,983,337, respectively in 2016.

**(5) Noncurrent Liabilities**

Noncurrent liabilities activity for the years ended June 30, 2017 and 2016 was as follows:

	2017				
	Beginning balance	Additions	Reductions	Ending balance	Current portion
Deposits held in custody for Rowan University Alumni Association	\$ 1,533,237	5,159	—	1,538,396	—
Annuities payable	173,811	177,960	32,197	319,574	37,630
	\$ 1,707,048	183,119	32,197	1,857,970	37,630
	2016				
	Beginning balance	Additions	Reductions	Ending balance	Current portion
Deposits held in custody for Rowan University Alumni Association	\$ 1,463,683	69,554	—	1,533,237	—
Annuities payable	139,465	55,848	21,502	173,811	23,880
	\$ 1,603,148	125,402	21,502	1,707,048	23,880

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**(6) Restricted Nonexpendable Net Position**

Restricted nonexpendable net position as of June 30, 2017 and 2016 consist of the following:

	<u>2017</u>	<u>2016</u>
Henry and Betty Rowan for general operations	\$ 97,000,118	97,000,118
William G. Rohrer Professorial Chair in the College of Business	1,000,000	1,000,000
Lawrence & Rita Salva Medical School	1,010,250	1,000,000
King Family Professorial Chair	1,000,000	1,000,000
Thomas N. Bantivoglio Honors Program for scholarships	1,293,207	1,243,082
Rohrer Scholars for scholarships	1,080,932	1,080,932
John B. Campbell Professorial Chair	1,176,282	1,176,282
Keith and Shirley Campbell Endowment to support library operations	1,641,896	1,641,896
Rohrer College of Business	2,596,705	2,072,330
Henry M. Rowan College of Engineering Endowment	9,000,000	5,000,000
CMSRU Student Loan Assistance Program	1,000,000	1,000,000
Henry M. Rowan Endowment for Engineering Scholarship	1,000,000	1,000,000
Inspira Health Network Endowed Fund	1,000,000	1,000,000
Jean & Rick Edelman Fossil Park Endowment	1,006,407	—
Other endowment funds	<u>12,506,900</u>	<u>11,239,432</u>
	<u>\$ 133,312,697</u>	<u>126,454,072</u>