

ROWAN UNIVERSITY FOUNDATION
(A Component Unit of Rowan University)

Basic Financial Statements and
Management's Discussion and Analysis

June 30, 2020 and 2019

(With Independent Auditors' Report Thereon)

ROWAN UNIVERSITY FOUNDATION
(A Component Unit of Rowan University)

Table of Contents

	Page
Independent Auditors' Report	1
Management's Discussion and Analysis (Unaudited)	3
Basic Financial Statements:	
Statements of Net Position as of June 30, 2020 and 2019	9
Statements of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2020 and 2019	10
Statements of Cash Flows for the years ended June 30, 2020 and 2019	11
Notes to Financial Statements	12



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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, 2020 and 2019, 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, 2020 and 2019, and the changes in its financial position and its 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 20, 2020

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, 2020 and 2019, and comparative amounts for the year ended June 30, 2018. 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 accounting principles generated accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB). 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.



Management's Discussion and Analysis as of and for the Years Ended June 30, 2020 and 2019 (Unaudited)

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 condensed summary of the Foundation's assets, liabilities, deferred inflows of resources and net position as of June 30, 2020, 2019 and 2018 is as follows:

Condensed Statements of Net Position			
	2020	2019	2018
Current assets	\$ 10,872,469	8,801,867	12,893,098
Noncurrent assets	229,878,642	228,792,461	217,491,236
Total assets	<u>240,751,111</u>	<u>237,594,328</u>	<u>230,384,334</u>
Current liabilities	2,439,991	169,377	2,291,196
Noncurrent liabilities	213,869	224,574	269,771
Total liabilities	<u>2,653,860</u>	<u>393,951</u>	<u>2,560,967</u>
Deferred inflow of resources	92,933	105,397	288,024
Total deferred inflow of resources	<u>92,933</u>	<u>105,397</u>	<u>288,024</u>
Net position:			
Restricted nonexpendable	159,381,507	151,168,226	142,989,315
Restricted expendable for:			
Scholarships	11,348,161	13,759,210	13,367,979
Other	20,246,938	17,351,002	15,852,763
Unrestricted	47,027,712	54,816,542	55,325,286
Total net position	<u>\$ 238,004,318</u>	<u>237,094,980</u>	<u>227,535,343</u>

Current assets consist of cash and cash equivalents, the current portion of contributions receivable and other assets. 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.



ROWAN UNIVERSITY FOUNDATION

(A Component Unit of Rowan University)

Fiscal Year 2020 Compared to Fiscal Year 2019

The increase in total assets of \$3,156,783 is primarily attributed to an increase in cash and cash equivalents of \$2,301,352, and an increase in contribution receivables of \$1,201,887.

The increase in total liabilities of \$2,259,909 is primarily attributed to a increase in the amount due to Rowan University of \$2,232,686 associated with timing of payments on scholarship and transfers from the Foundation to University. In addition, accounts payable and accrued expenses increased \$22,928 due to timing of payments to vendors.

Deferred inflows of resources decreased \$12,464 due to market fluctuations on annuity investments.

The total net position increased \$909,338. Nonexpendable net position increased \$8,213,281. Expendable restricted net position increased \$484,887. Unrestricted net position decreased \$7,788,830 during the period.

Fiscal Year 2019 Compared to Fiscal Year 2018

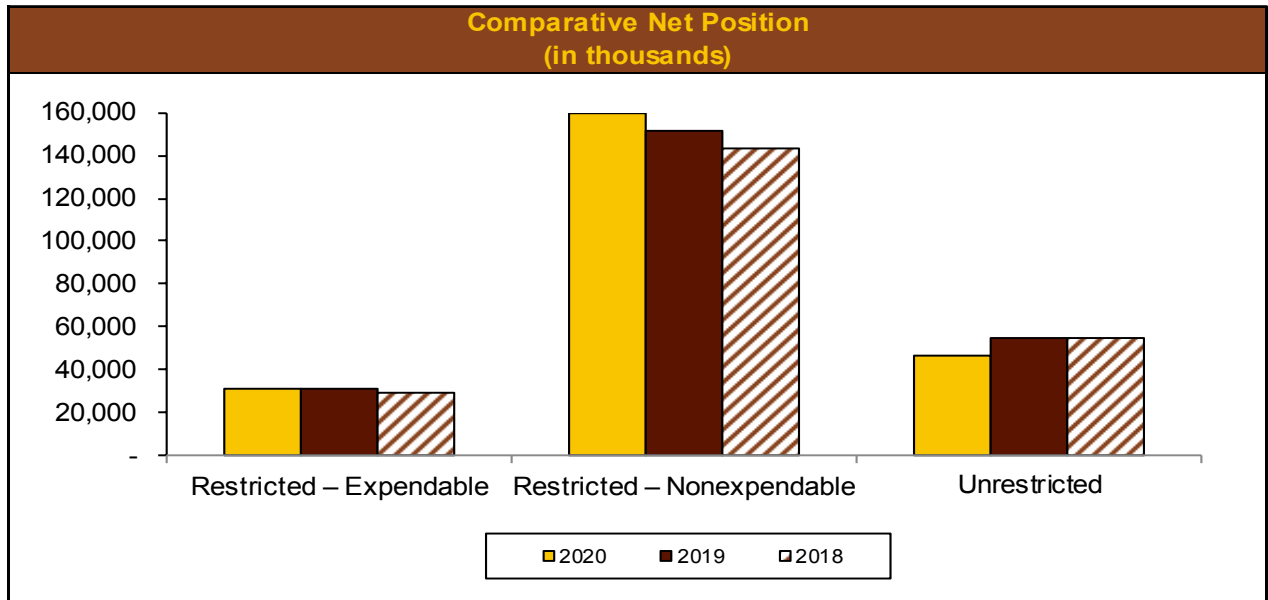
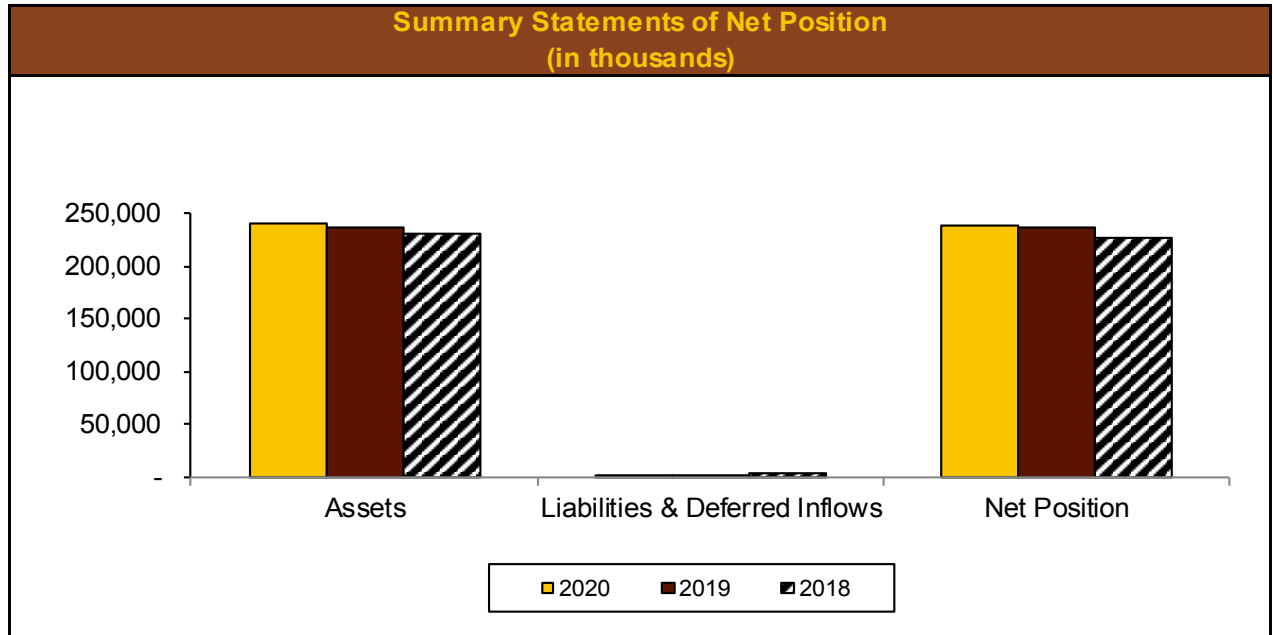
The increase in total assets of \$7,209,994 is primarily attributed to an increase in investments of \$11,877,393 associated with an increase in fair market value and new gifts, and a decrease in cash and cash equivalents of \$4,610,115.

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.





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 investment income.

The statement of revenues, expenses, and changes in net position present the Foundation's results of operations. A condensed summary of the Foundation's revenues, expenses, and changes in net position for the years ended June 30, 2020, 2019 and 2018 is as follows:

Condensed Statements of Revenues, Expenses, and Changes in Net Position			
	2020	2019	2018
Operating revenues:			
Contributions	\$ 8,000,375	4,967,113	9,177,708
Fundraising events	84,694	175,232	27,475
Other revenue	94,895	225,666	35,720
Total operating revenues	<u>8,179,964</u>	<u>5,368,011</u>	<u>9,240,903</u>
Operating expenses:			
Materials and supplies	5,288	2,532	9,655
Professional and other services	178,438	372,795	391,037
Other	161,372	290,369	91,090
Grants and scholarships	13,623,575	13,358,337	13,767,017
Total operating expenses	<u>13,968,673</u>	<u>14,024,033</u>	<u>14,258,799</u>
Operating loss	<u>(5,788,709)</u>	<u>(8,656,022)</u>	<u>(5,017,896)</u>
Nonoperating revenues:			
Investment (loss) income, net	(1,510,149)	10,316,620	14,317,734
Transfer from Rowan University Alumni Association	—	—	1,555,843
Net nonoperating revenue	<u>(1,510,149)</u>	<u>10,316,620</u>	<u>15,873,577</u>
(Loss) income before other revenues	<u>(7,298,858)</u>	<u>1,660,598</u>	<u>10,855,681</u>
Additions to permanent endowments	8,208,196	7,899,039	9,427,806
Increase in net position	<u>909,338</u>	<u>9,559,637</u>	<u>20,283,487</u>
Net position as of beginning of year	237,094,980	227,535,343	207,251,856
Net position as of end of year	<u>\$ 238,004,318</u>	<u>237,094,980</u>	<u>227,535,343</u>



Fiscal Year 2020 Compared to Fiscal Year 2019

Operating revenues increased \$2,811,953 due primarily to an increase in contributions of \$3,033,262. Operating expenses decreased \$55,360. Within operating expenses, grants and scholarships increased \$265,238, professional and other services decreased \$194,357, and other operating expenses decreased \$128,997.

Net nonoperating revenues decreased \$11,826,769. This decrease is attributed to a decrease in investment income of \$11,826,769 due primarily to market fluctuation.

Permanent endowment contributions for 2020 were \$8,208,196, a \$309,157 increase from the year ended June 30, 2019. The Foundation received the following large contributions during 2020: \$2,700,000 for the Shreiber Family Pet Therapy Program Endowment, \$2,513,573 for the Jean & Ric Edelman Fossil Park Endowment, and \$1,000,000 for the Henry M. Rowan College of Engineering Endowment.

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.



ROWAN UNIVERSITY FOUNDATION
(A Component Unit of Rowan University)

Statements of Net Position

June 30, 2020 and 2019

Assets	2020	2019
Current assets:		
Cash and cash equivalents (note 2)	\$ 6,499,480	5,181,332
Restricted cash and cash equivalents (note 2)	3,797,346	2,814,142
Contributions receivable, net (note 3)	8,547	71,664
Restricted contributions receivable, net (note 3)	305,174	734,729
Receivables and other assets	261,922	—
Total current assets	<u>10,872,469</u>	<u>8,801,867</u>
Noncurrent assets:		
Investments, at fair value (note 2)	42,814,640	49,672,329
Restricted investments, at fair value (note 2)	25,014,614	26,978,584
Restricted nonexpendable investments, at fair value (note 2)	159,381,507	151,168,226
Contributions receivable, net (note 3)	115,806	31,364
Restricted contributions receivable, net (note 3)	2,552,075	941,958
Total noncurrent assets	<u>229,878,642</u>	<u>228,792,461</u>
Total assets	<u>240,751,111</u>	<u>237,594,328</u>
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	76,165	53,237
Due to Rowan University	2,319,596	86,910
Unearned revenue	15,000	—
Annuities payable	29,230	29,230
Total current liabilities	<u>2,439,991</u>	<u>169,377</u>
Noncurrent liabilities (note 5):		
Annuities payable	213,869	224,574
Total noncurrent liabilities	<u>213,869</u>	<u>224,574</u>
Total liabilities	<u>2,653,860</u>	<u>393,951</u>
Deferred Inflow of Resources		
Deferred inflows of resources:		
Split-interest agreements	92,933	105,397
Total deferred inflow of resources	<u>92,933</u>	<u>105,397</u>
Net Position		
Restricted (note 4):		
Nonexpendable (note 6)	159,381,507	151,168,226
Expendable:		
Scholarships	11,348,161	13,759,210
Other	20,246,938	17,351,002
Unrestricted	47,027,712	54,816,542
Total net position	<u>\$ 238,004,318</u>	<u>237,094,980</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, 2020 and 2019

	2020	2019
Operating revenues:		
Contributions	\$ 8,000,375	4,967,113
Fundraising events	84,694	175,232
Other revenue	94,895	225,666
Total operating revenues	<u>8,179,964</u>	<u>5,368,011</u>
Operating expenses:		
Materials and supplies	5,288	2,532
Professional and other services	178,438	372,795
Other	161,372	290,369
Grants and scholarships:		
Grants to Rowan University (note 4)	10,547,769	10,928,523
Student scholarships	3,062,212	2,414,001
Other grants	13,594	15,813
Total operating expenses	<u>13,968,673</u>	<u>14,024,033</u>
Operating loss	<u>(5,788,709)</u>	<u>(8,656,022)</u>
Nonoperating revenues:		
Investment (loss) income, net of investment expenses	<u>(1,510,149)</u>	10,316,620
Net nonoperating (expense) revenues	<u>(1,510,149)</u>	10,316,620
(Loss) income before other revenues	<u>(7,298,858)</u>	1,660,598
Additions to permanent endowments	<u>8,208,196</u>	7,899,039
Increase in net position	<u>909,338</u>	9,559,637
Net position as of beginning of year	<u>237,094,980</u>	<u>227,535,343</u>
Net position as of end of year	<u>\$ 238,004,318</u>	<u>237,094,980</u>

See accompanying notes to financial statements.

ROWAN UNIVERSITY FOUNDATION
(A Component Unit of Rowan University)

Statements of Cash Flows

Years ended June 30, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Payments to suppliers	\$ (212,300)	(449,376)
Payments for grants and scholarships	(11,390,889)	(15,396,724)
Contributions	6,458,386	4,591,375
Fundraising events	84,694	175,232
Other revenue	78,205	225,667
Net cash used by operating activities	<u>(4,981,904)</u>	<u>(10,853,826)</u>
Cash flows from noncapital financing activities:		
Contributions to permanent endowments	8,208,196	7,823,960
Payments to annuitants	(29,230)	(30,630)
Net cash provided by noncapital financing activities	<u>8,178,966</u>	<u>7,793,330</u>
Cash flows from investing activities:		
Investment income	5,444,124	3,658,732
Purchases of investments	(51,701,243)	(38,897,690)
Sales of investments	45,361,409	33,689,339
Net cash used by investing activities	<u>(895,710)</u>	<u>(1,549,619)</u>
Net increase (decrease) in cash and cash equivalents	2,301,352	(4,610,115)
Cash and cash equivalents as of beginning of the year	7,995,474	12,605,589
Cash and cash equivalents as of end of the year	<u>\$ 10,296,826</u>	<u>7,995,474</u>
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (5,788,709)	(8,656,022)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Changes in assets and liabilities and deferred inflows of resources:		
Contributions and other receivables and other assets:	(1,463,809)	57,284
Accounts payable and accrued expenses	22,928	(30,793)
Due to Rowan University	2,232,686	(2,038,387)
Unearned revenue	15,000	(44,239)
Annuity remainder interest	—	(141,669)
Net cash used by operating activities	<u>\$ (4,981,904)</u>	<u>(10,853,826)</u>
Noncash transactions:		
(Decrease) increase in deferred inflows of resources	\$ (12,464)	4,239
(Decrease) increase in fair value of investments	(7,601,303)	6,669,041

See accompanying notes to financial statements.

(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.
 - 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.



Notes to the Financial Statements as of and for the Years Ended June 30, 2020 and 2019

- **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.

(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) New Accounting Standard Adopted

In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. This statement delayed the effective dates for previously issued statements which would now cause undue hardship on governmental entities as a result of the COVID-19 pandemic. The Foundation has assessed the impact of this statement and determined the new effective dates for GASB Statement No. 84 – Fiduciary Activities are fiscal years beginning after December 15, 2019 (fiscal year 2021), GASB Statement No. 87 – Leases are fiscal years beginning after June 15, 2021 (fiscal year 2022), GASB Statement No. 89 – Accounting for Interest Cost Incurred before the End of a Construction Period are fiscal years beginning after December 15, 2020 (fiscal year 2022). The standard is effective immediately upon issuance. Management is currently evaluating the impact of these delayed statements on the financials statements.



Notes to the Financial Statements as of and for the Years Ended June 30, 2020 and 2019

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

As of June 30, 2020 and 2019, the Foundation's cash, cash equivalents and investments, at fair value, are reported on the statements of net position as follows:

	2020	2019
Cash and cash equivalents	\$ 6,499,480	5,181,332
Restricted cash and cash equivalents	3,797,346	2,814,142
	<u>\$ 10,296,826</u>	<u>7,995,474</u>
Investments	\$ 42,814,640	49,672,329
Restricted investments	25,014,614	26,978,584
Restricted nonexpendable investments	159,381,507	151,168,226
	<u>\$ 227,210,761</u>	<u>227,819,139</u>

Cash, cash equivalents, restricted nonexpendable investments and investments consist of the following as of June 30, 2020 and 2019:

	2020	2019
Cash and cash equivalents:		
Cash	\$ 6,606,264	4,538,370
Money market funds	3,690,562	3,457,104
	<u>\$ 10,296,826</u>	<u>7,995,474</u>

	2020	2019
Investments:		
Bond mutual funds (domestic)	\$ 28,328,294	27,480,235
Common stock mutual funds (domestic)	67,233,671	75,533,231
Common stock mutual funds (international)	42,143,036	47,749,263
Venture capital investments	3,000,000	2,643,800
Alternative investments	86,505,760	74,412,610
	<u>\$ 227,210,761</u>	<u>227,819,139</u>

For the years ended June 30, 2020 and 2019, the decrease in fair value on investments was \$7,601,303 and an increase of \$6,669,041, respectively and the net realized gain on investments for June 30, 2020 and 2019 was \$10,800,373 and \$4,924,956, 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.



Notes to the Financial Statements as of and for the Years Ended June 30, 2020 and 2019

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 \$10,128,885 and \$7,935,997, as of June 30, 2020 and 2019, respectively. Of these amounts, \$304,456 and \$260,630, was FDIC insured as of June 30, 2020 and 2019, respectively, leaving uninsured and uncollateralized balances of \$9,824,429 and \$7,675,367, 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, 2020 and 2019, 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, 2020 and 2019 are as follows:

2020		
Investment type	Fair value	Average effective duration
Bond mutual funds (domestic)	\$ 9,195,131	5.40 years
Bond mutual funds (domestic)	3,855,423	2.48 years
Bond mutual funds (domestic)	8,074,843	6.08 years
Bond mutual funds (domestic)	5,000,735	5.18 years
Bond mutual funds (domestic)	2,093,686	3.90 years
Bond mutual funds (domestic)	108,476	6.08 years
Total	<u>\$ 28,328,294</u>	



Notes to the Financial Statements as of and for the Years Ended June 30, 2020 and 2019

2019		Average effective duration
Investment type	Fair value	
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>	

Fair Value Measurement

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

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

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

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

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



Notes to the Financial Statements as of and for the Years Ended June 30, 2020 and 2019

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, 2020 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) \$	28,328,294	28,328,294	—	—
Common stock mutual funds (domestic)	67,125,589	67,125,589	—	—
Common stock mutual funds (international)	42,143,036	42,143,036	—	—
Privately held common stock	108,082	—	—	108,082
Venture capital investments	3,000,000	—	—	3,000,000
Subtotal	140,705,001	\$ 137,596,919	—	3,108,082
Investments measured at net asset value:				
Absolute return	38,956,729			
Private equity	35,043,523			
Realty investments	12,505,508			
Subtotal	86,505,760			
Total cash equivalents and investments \$	227,210,761			



Notes to the Financial Statements as of and for the Years Ended June 30, 2020 and 2019

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	—	—
Privately held 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			

Investments Measured at NAV

The following table represents the unfunded commitments and redemption terms by investment type as of June 30, 2020:

	Fair value	Unfunded commitments	Redemption frequency (if currently eligible)	Redemption notice period
Absolute return ^(a)	\$ 38,956,729	None	Quarterly	65–100 days
Private equity ^(b)	35,043,523	52,856,608	Illiquid	Not applicable
Realty investments ^(c)	12,505,508	5,460,104	Illiquid	Not applicable
	\$ 86,505,760			

Notes to the Financial Statements as of and for the Years Ended June 30, 2020 and 2019

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 ^(a)	\$ 32,455,426	None	Quarterly	65–100 days
Private equity ^(b)	27,491,854	25,251,000	Illiquid	Not applicable
Realty investments ^(c)	14,465,330	8,969,000	Illiquid	Not applicable
	<u>\$ 74,412,610</u>			

- (a) Absolute return includes 5 and 4 hedge funds as of June 30, 2020 and 2019, 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. One of the investments, about 6.5% of the overall total, are being liquidated and should be redeemed by March 2021. The remaining investments are redeemable as disclosed above.
- (b) Private equity includes 21 and 16 funds as of June 30, 2020 and 2019, 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 12 years with possible extensions for 14 funds. Capital is distributed to investors as the funds' investments are liquidated over that time period.
- (c) Realty investments includes 8 and 9 funds as of June 30, 2020 and 2019, respectively. All of the 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 1 to 10 years with possible extensions for four funds. Capital is distributed to investors as the funds' investments are liquidated over that time period.

The Foundation identified that an investment in the private equity investment type grouping was determined to be impaired as of June 30, 2020, and as such recorded an impairment of fair value in the amount of \$828,421, which is included as a reduction of investment income.



Notes to the Financial Statements as of and for the Years Ended June 30, 2020 and 2019

(3) Contributions Receivable

Contributions receivable as of June 30, 2020 and 2019 are expected to be collected as follows:

	2020	2019
Year ending June 30:		
Less than one year	\$ 432,732	904,721
One to five years	2,649,896	851,701
More than five years	251,593	271,336
	<u>3,334,221</u>	<u>2,027,758</u>
Less present value discount at 0.6%–5.6%	(93,194)	(98,488)
Less allowance for doubtful accounts	(259,425)	(149,555)
	<u>\$ 2,981,602</u>	<u>1,779,715</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, 2020 and 2019, such contributions were \$10,547,769 and \$10,928,523, respectively.

The fair value of the Foundation’s donor restricted endowment assets as of June 30, 2020 and 2019 were \$217,114,955 and \$218,807,837, respectively. This value represents accumulated appreciation in the amount of \$57,733,448 and \$67,639,611, respectively. This appreciation is reflected in the unrestricted and restricted expendable net position balances in the amounts of \$40,327,695 and \$17,405,753, respectively in 2020 and \$47,305,874 and \$20,333,737, respectively in 2019.



Notes to the Financial Statements as of and for the Years Ended June 30, 2020 and 2019

(5) Noncurrent Liabilities

Noncurrent liabilities activity for the years ended June 30, 2020 and 2019 was as follows:

	2020					
	Beginning balance	Additions	Reductions	Ending balance	Current portion	Noncurrent portion
Annuities payable	\$ 253,804	19,793	30,498	243,099	29,230	213,869
	<u>\$ 253,804</u>	<u>19,793</u>	<u>30,498</u>	<u>243,099</u>	<u>29,230</u>	<u>213,869</u>

	2019					
	Beginning balance	Additions	Reductions	Ending balance	Current portion	Noncurrent portion
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>

(6) Restricted Nonexpendable Net Position

Restricted nonexpendable net position as of June 30, 2020 and 2019 consists of the following:

	2020	2019
Henry and Betty Rowan for general operations	\$ 97,000,118	97,000,118
Henry M. Rowan College of Engineering Endowment	18,000,000	17,000,000
Jean & Ric Edelman Fossil Park Endowment	8,502,350	5,988,777
Rohrer College of Business	4,097,255	3,597,255
The Shreiber Family Pet Therapy Program	3,000,000	300,000
Keith and Shirley Campbell Endowment to support library operations	1,641,896	1,641,896
Thomas N. Bantivoglio Honors Program for scholarships	1,403,377	1,373,347
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	1,000,000	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	1,000,000
Other endowment funds	16,479,297	14,999,369
	<u>\$ 159,381,507</u>	<u>151,168,226</u>



(7) Designation of Unrestricted Net Position

Designated unrestricted net position as of June 30, 2020 and 2019 consists of \$3,140,922 and \$3,168,442 of board designated quasi-endowment funds.

(8) Subsequent Events

The spread of the coronavirus (COVID-19) around the world has caused significant volatility in the U.S. and international economies and markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies and, as such, the Foundation is unable to determine if it will have a material impact on its operations.

