



ROWAN UNIVERSITY FOUNDATION
(A Component Unit of Rowan University)

Basic Financial Statements and
Management's Discussion and Analysis

June 30, 2014 and 2013

(With Independent Auditors' Report Thereon)

ROWAN UNIVERSITY FOUNDATION
(A Component Unit of Rowan University)

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KPMG LLP
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Short Hills, NJ 07078-2702

Independent Auditors' Report

The Board of Directors
Rowan University Foundation:

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, 2014 and 2013, 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, 2014 and 2013, 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

October 29, 2014

ROWAN UNIVERSITY FOUNDATION
(A Component Unit of Rowan University)

Management's Discussion and Analysis (Unaudited)

June 30, 2014 and 2013

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, 2014 and 2013, and comparative amounts for the year ended June 30, 2012. 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.

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 Rowan University 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.

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.

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June 30, 2014 and 2013

A summary of the Foundation's assets, liabilities, and net position as of June 30, 2014, 2013 and 2012 follows:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
		(In thousands)	
Current assets	\$ 10,109	4,229	4,672
Noncurrent assets	181,207	162,507	145,671
Total assets	<u>\$ 191,316</u>	<u>166,736</u>	<u>150,343</u>
Current liabilities	\$ 462	551	262
Noncurrent liabilities	1,545	1,732	1,652
Total liabilities	<u>\$ 2,007</u>	<u>2,283</u>	<u>1,914</u>
Net position:			
Restricted nonexpendable	\$ 113,143	111,017	110,285
Restricted expendable for:			
Inductotherm Scholarships	177	1,863	1,826
Other scholarships	7,318	6,923	3,158
College of Business	4,153	4,432	4,695
Other	10,631	6,193	4,927
Unrestricted	53,886	34,025	23,538
Total net position	<u><u>\$ 189,308</u></u>	<u><u>164,453</u></u>	<u><u>148,429</u></u>

Current assets consist of cash and cash equivalents and the current portion of contributions receivable. Noncurrent assets consist of investments and noncurrent contributions receivable. Current liabilities consist of accounts payable and accrued expenses, 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 2014 Compared to Fiscal Year 2013

The increase in total assets of \$24,579,982 is primarily attributed to the increase in investments of \$19,540,643 and the increase in cash and cash equivalents of \$5,888,583, offset by a decrease in contributions receivable of \$849,244.

The decrease in total liabilities of \$275,502 is due to a decrease of \$21,121 in accounts payable and accrued expenses, a decrease of \$373,860 in annuities payable offset by an increase of \$1,836 in unearned revenue, and an increase of \$117,643 in deposits held in custody for Rowan University Alumni Association.

The increase in total net position of \$24,855,484 is due primarily to an increase in unrestricted net position of \$19,860,077. Nonexpendable net position increased \$2,126,406. Expendable restricted net position increased by \$2,869,001 during the period.

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Management's Discussion and Analysis (Unaudited)

June 30, 2014 and 2013

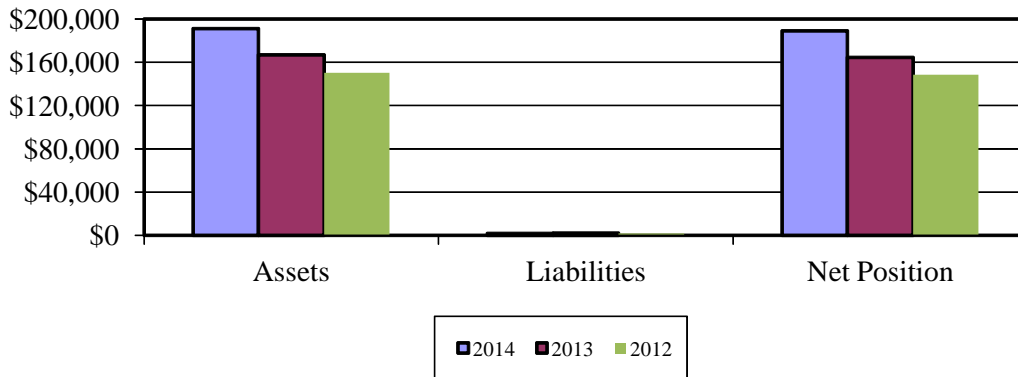
Fiscal Year 2013 Compared to Fiscal Year 2012

The increase in total assets of \$16,392,693 is primarily attributed to the increase in investments of \$15,667,988 offset by a decrease in cash and cash equivalents of \$894,029. Additionally, contributions receivable increased \$1,708,362, offset by decreases in prepaid assets of \$1,400 and accounts receivable of \$88,228.

The increase in total liabilities of \$369,138 is due to an increase of \$72,797 in accounts payable and accrued expenses, an increase of \$240,177 in unearned revenue, an increase of \$26,156 in annuities payable and an increase of \$70,008 in deposits held in custody for Rowan University Alumni Association, offset by a decrease in compensated absences of \$40,000.

The increase in total net position of \$16,023,555 is due primarily to an increase in unrestricted net position of \$10,487,253. Nonexpendable net position increased \$731,575. Expendable restricted net position increased by \$4,804,727 during the period.

**Summary of Statement of Net Position
For the Years Ended June 30
(In thousands)**

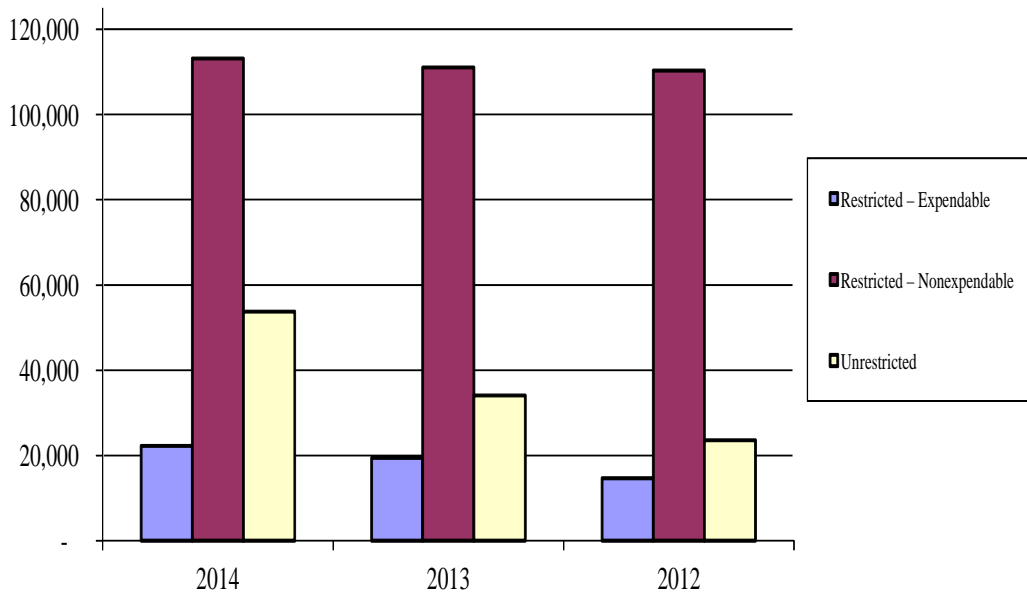


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Management's Discussion and Analysis (Unaudited)

June 30, 2014 and 2013

**Comparative Net Position
For the 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.

ROWAN UNIVERSITY FOUNDATION
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Management's Discussion and Analysis (Unaudited)

June 30, 2014 and 2013

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, 2014, 2013 and 2012 follows:

	2014	2013	2012
		(In thousands)	
Operating revenues:			
Contributions	\$ 5,857	4,949	2,972
Fund raising events	123	77	104
Total operating revenues	5,980	5,026	3,076
Operating expenses:			
Materials and supplies	16	2	12
Professional and other services	405	311	141
Other	28	95	21
Grants and scholarships	10,051	9,669	7,901
Total operating expenses	10,500	10,077	8,075
Operating loss	(4,520)	(5,051)	(4,999)
Nonoperating revenues (expenses):			
Investment income (loss)	27,400	20,521	(1,161)
Investment expenses	(159)	(108)	(17)
Adjustment to actuarial liability for annuities payable	8	(70)	(56)
Net nonoperating revenues (expenses)	27,249	20,343	(1,234)
Income (loss) before other revenues	22,729	15,292	(6,233)
Additions to permanent endowments	2,126	732	726
Increase (decrease) in net position	24,855	16,024	(5,507)
Net position as of beginning of year	164,453	148,429	153,936
Net position as of end of year	\$ 189,308	164,453	148,429

Fiscal Year 2014 Compared to Fiscal Year 2013

Operating revenues increased \$954,106 due primarily to an increase in operating contributions of \$908,439. Operating expenses increased \$422,333. Within operating expenses materials and supplies increased \$14,402, professional and other services increased \$93,743, other expenses decreased \$67,727, and grants & scholarships increased \$381,915.

Net nonoperating revenues (expenses) increased \$6,905,326. This increase is largely attributed to an increase in investment income of \$6,878,938. Investment expenses increased \$51,250, offset by a decrease in the actuarial adjustment of \$77,638.

Permanent endowment contributions for 2014 were \$2,126,405. This is a \$1,394,830 increase from the year ended June 30, 2013.

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Management's Discussion and Analysis (Unaudited)

June 30, 2014 and 2013

Fiscal Year 2013 Compared to Fiscal Year 2012

Operating revenues increased \$1,949,540 due primarily to an increase in operating contributions of \$1,976,731. Operating expenses increased \$2,002,129. Within operating expenses materials and supplies decreased \$9,898, professional and other services increased \$169,999, other expenses increased \$73,866, and grants & scholarships increased \$1,768,162.

Net nonoperating revenues (expenses) increased \$21,577,498. This increase is largely attributed to an increase in investment income of \$21,681,662. Investment expenses increased \$90,304 due to a one-time refund in fiscal 2012.

Permanent endowment contributions for 2013 were \$731,575. This is a \$5,854 increase from the year ended June 30, 2012.

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Statements of Net Position

June 30, 2014 and 2013

Assets	2014	2013
Current assets:		
Cash and cash equivalents (note 2)	\$ 6,794,172	2,179,686
Restricted cash and cash equivalents (note 2)	2,029,458	755,361
Restricted contributions receivable, net (note 3)	1,285,081	1,293,889
Total current assets	10,108,711	4,228,936
Noncurrent assets:		
Investments, at fair value (note 2)	48,580,075	33,248,178
Restricted investments, at fair value (note 2)	14,427,105	12,344,765
Restricted nonexpendable investments, at fair value (note 2)	113,143,074	111,016,668
Restricted contributions receivable, net (note 3)	5,056,576	5,897,012
Total noncurrent assets	181,206,830	162,506,623
Total assets	\$ 191,315,541	166,735,559
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	\$ 84,041	105,162
Unearned revenue	359,477	357,641
Annuities payable	18,569	87,721
Total current liabilities	462,087	550,524
Noncurrent liabilities (note 5):		
Deposits held in custody for Rowan University Alumni Association	1,414,812	1,297,169
Annuities payable	130,472	435,180
Total noncurrent liabilities	1,545,284	1,732,349
Total liabilities	\$ 2,007,371	2,282,873
Net Position		
Restricted:		
Nonexpendable (note 6)	\$ 113,143,074	111,016,668
Expendable:		
Inductotherm Scholarships	176,858	1,862,820
Other scholarships	7,318,257	6,922,911
College of Business	4,153,205	4,431,626
Other	10,631,167	6,193,129
Unrestricted	53,885,609	34,025,532
Total net position	\$ 189,308,170	164,452,686

See accompanying notes to financial statements.

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Statements of Revenues, Expenses, and Changes in Net Position

Years ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Operating revenues:		
Contributions (note 3)	\$ 5,856,784	4,948,345
Fundraising events	123,009	77,342
Total operating revenues	<u>5,979,793</u>	<u>5,025,687</u>
Operating expenses:		
Materials and supplies	16,315	1,913
Professional and other services	404,684	310,941
Other	27,694	95,421
Grants and scholarships:		
Grants to Rowan University (note 4)	8,526,564	8,278,914
Student scholarships	1,517,586	1,385,588
Other grants	6,597	4,330
Total operating expenses	<u>10,499,440</u>	<u>10,077,107</u>
Operating loss	<u>(4,519,647)</u>	<u>(5,051,420)</u>
Nonoperating (expenses) revenues:		
Investment income	27,399,988	20,521,050
Investment expenses	(158,945)	(107,695)
Adjustment to actuarial liability for annuities payable	7,683	(69,955)
Net nonoperating revenues	<u>27,248,726</u>	<u>20,343,400</u>
Income before other revenues	22,729,079	15,291,980
Additions to permanent endowments	<u>2,126,405</u>	<u>731,575</u>
Increase in net position	24,855,484	16,023,555
Net position as of beginning of year	<u>164,452,686</u>	<u>148,429,131</u>
Net position as of end of year	<u><u>\$ 189,308,170</u></u>	<u><u>164,452,686</u></u>

See accompanying notes to financial statements.

ROWAN UNIVERSITY FOUNDATION
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Statements of Cash Flows

Years ended June 30, 2014 and 2013

	2014	2013
Cash flows from operating activities:		
Payments to suppliers	\$ (397,659)	(117,439)
Payments for grants and scholarships	(10,050,747)	(9,668,832)
Contributions	6,706,028	3,239,983
Fundraising events	123,009	77,342
Net cash used by operating activities	(3,619,369)	(6,468,946)
Cash flows from noncapital financing activities:		
Contributions to permanent endowments	2,126,405	731,575
Payments to annuitants	(44,303)	(92,198)
Net cash provided by noncapital financing activities	2,082,102	639,377
Cash flows from investing activities:		
Investment income, net of investment expenses	17,120,995	(43,690)
Purchases of investments	(20,261,338)	(20,200,797)
Sales of investments	10,566,193	25,180,027
Net cash provided by investing activities	7,425,850	4,935,540
Net increase (decrease) in cash and cash equivalents	5,888,583	(894,029)
Cash and cash equivalents as of beginning of the year	2,935,047	3,829,076
Cash and cash equivalents as of end of the year	\$ 8,823,630	2,935,047
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (4,519,647)	(5,051,420)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Noncash transactions	(47,325)	(141,774)
Changes in assets and liabilities:		
Contributions receivable	849,244	(1,708,362)
Prepaid asset	—	1,400
Accounts receivable	—	88,228
Accounts payable and accrued expenses	(21,121)	72,797
Unearned revenue	1,837	240,177
Compensated absences	—	(40,000)
Deposits held in custody for Rowan University Alumni Association	117,643	70,008
Net cash used by operating activities	\$ (3,619,369)	(6,468,946)
Noncash transactions:		
Transfers to Rowan University:		
Artwork	\$ 1,005,000	5,000
Equipment	128,925	494,800
Capital	445,000	10,000
Unrealized gain on deposits held in custody	47,325	141,774
Increase in fair value of investments	10,120,047	20,470,577

See accompanying notes to financial statements.

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June 30, 2014 and 2013

(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 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.

Summary of Significant Accounting Policies

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.

- 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.

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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.

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.

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.

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 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.

Investments

Investments are stated at fair value. The fair value of all debt and equity securities with a readily determinable fair value are based on quotations obtained from national securities exchanges. Alternative investments are valued using current estimates of fair value obtained from the investment manager in the absence of readily determinable public market values. The estimated fair value of these investments is based on the most recent valuations provided by the external investment managers. Because alternative investments are not readily marketable, their estimated value is subject to uncertainty and therefore may differ from the value that would have been used had a ready market for such investments existed. Such difference could be material. Purchases and sales of investments are accounted for on the trade date basis. Investment income is recorded on an accrual basis.

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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.

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.

New Accounting Standards Adopted

In fiscal year 2014, the Foundation adopted new accounting standards as follows:

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65), amends or supersedes the accounting and financial reporting guidance for certain items previously required to be reported as assets or liabilities. The objective is to either properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognize certain items that were previously reported as assets or liabilities as outflows of resources (expenses) or inflows of resources (revenues). There was no impact as a result of adoption of this standard to Rowan University Foundation's financial statements.

GASB Statement No. 66, *Technical Corrections – 2012, An Amendment of GASB Statement No. 10 and No. 62 Liabilities* (GASB 66), removes the provision in GASB Statement No. 10 that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type and modifies the specific guidance in GASB Statement No. 62 on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. There was no impact as a result of adoption of this standard to Rowan University Foundation's financial statements.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* (GASB 70), improves accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees and requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. GASB 70 also requires a government that has issued an obligation guaranteed in a nonexchange transaction to report the obligation until legally released as an obligor and requires a

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government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. New information must be disclosed by governments that receive nonexchange financial guarantees. There was no impact as a result of adoption of this standard to Rowan University Foundation's financial statements.

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.

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.

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Notes to Financial Statements

June 30, 2014 and 2013

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

Cash, cash equivalents, restricted nonexpendable investments and investments are carried in the financial statements at fair value and consist of the following as of June 30, 2014 and 2013:

	2014	2013
Cash and cash equivalents	\$ 6,794,172	2,179,686
Restricted cash and cash equivalents	2,029,458	755,361
Investments:		
Bond mutual funds (domestic)	\$ 24,046,207	22,337,907
Common stock mutual funds (domestic)	62,066,940	55,555,763
Common stock mutual funds (international)	32,036,732	26,239,259
Realty investments	5,144,602	4,656,262
Alternative investments	52,855,773	47,820,420
	\$ 176,150,254	156,609,611

As of June 30, 2014 and 2013, the Foundation's investments are reported on the statements of net position as follows:

	2014	2013
Investments	\$ 48,580,075	33,248,178
Restricted investments	14,427,105	12,344,765
Restricted nonexpendable investments	113,143,074	111,016,668
	\$ 176,150,254	156,609,611

For the years ended June 30, 2014 and 2013, the increase in fair value on investments was \$10,120,047 and \$20,470,577, respectively and the net realized gain (loss) on investments for June 30, 2014 and 2013 was \$15,202,589 and (\$1,896,639), 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 equivalent 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 \$8,663,348 and \$2,771,882, as of June 30, 2014 and 2013 respectively. Of these amounts, \$250,000 was FDIC insured, leaving uninsured and uncollateralized balances of \$8,413,348 and \$2,521,882.

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The Foundation participates in 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 \$162,874 and \$162,781 as of June 30, 2014 and 2013 respectively. These amounts are collateralized in accordance with Chapter 64 of Title 18A of New Jersey Statutes, but not in the Foundation's name.

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. 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. The Foundation's investments in bond mutual funds are 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 in bond mutual funds are all considered to have a maturity of one year or less.

(3) Contributions Receivable

Contributions receivable as of June 30, 2014 and 2013 are expected to be collected as follows:

	2014	2013
Year ending June 30:		
Less than one year	\$ 1,285,081	1,293,889
One to five years	4,012,547	4,319,606
More than five years	2,711,195	3,733,488
	8,008,823	9,346,983
Less present value discount at 5%	(1,667,166)	(2,156,082)
	\$ 6,341,657	7,190,901

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.

As of June 30, 2014, the Foundation has received \$4,500,000 of the William G. Rohrer Charitable Foundation \$10,000,000 unconditional promise to give. The remaining portion of the unconditional promise has been discounted at 5% to reflect a present value recorded as contributions receivable in the accompanying financial statements of \$4,153,205 and \$4,431,625 as of June 30, 2014 and 2013, respectively.

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(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, 2014 and 2013, such contributions were \$8,526,496 and \$8,278,914, respectively.

The fair value of the Foundation's endowment assets as of June 30, 2014 and 2013 were \$171,063,161 and \$150,603,692, respectively. This value represents accumulated appreciation in the amount of \$57,920,087 and \$39,587,024, respectively. This appreciation is reflected in the unrestricted and restricted expendable net position balances in the amounts of \$48,299,985, and \$9,620,102 respectively in 2014 and \$32,299,704 and \$7,287,320 respectively in 2013.

(5) Noncurrent Liabilities

Noncurrent liabilities activity for the years ended June 30, 2014 and 2013 was as follows:

	2014				Current portion
	Beginning balance	Additions	Reductions	Ending balance	
Deposits held in custody for Rowan University Alumni Association	\$ 1,297,169	117,643	—	1,414,812	—
Annuities payable	522,901	6,703	380,563	149,041	18,569
	<u>\$ 1,820,070</u>	<u>124,346</u>	<u>380,563</u>	<u>1,563,853</u>	<u>18,569</u>

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	2013				Current portion
	Beginning balance	Additions	Reductions	Ending balance	
Compensated absences	\$ 40,000	—	40,000	—	—
Deposits held in custody for Rowan University Alumni Association	1,227,161	70,008	—	1,297,169	—
Annuities payable	496,745	118,354	92,198	522,901	87,721
	\$ 1,763,906	188,362	132,198	1,820,070	87,721

(6) Restricted Nonexpendable Net Position

Restricted nonexpendable net position as of June 30, 2014 and 2013 consist of the following:

	2014	2013
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	1,000,000	1,000,000
King Family Professorial Chair	1,000,000	1,000,000
Thomas N. Bantivoglio Honors Program for scholarships	1,103,082	1,103,082
Rohrer Scholars for scholarships	1,080,832	1,080,832
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
Other endowment funds	8,140,864	6,014,458
	\$ 113,143,074	111,016,668