



ROWAN UNIVERSITY FOUNDATION
(A Component Unit of Rowan University)

Basic Financial Statements and
Management's Discussion and Analysis

June 30, 2015 and 2014

(With Independent Auditors' Report Thereon)

ROWAN UNIVERSITY FOUNDATION
(A Component Unit of Rowan University)

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KPMG LLP
New Jersey Headquarters
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Independent Auditors' Report

The Board of Directors
Rowan University Foundation:

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Rowan University Foundation (the Foundation), a component unit of Rowan University, as of and for the years ended June 30, 2015 and 2014, 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 opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of Rowan University Foundation, as of June 30, 2015 and 2014, and the respective changes in its financial position, and, where applicable, cash flows thereof for the years then ended in accordance with U.S. generally accepted accounting principles.



Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3 through 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

November 4, 2015

ROWAN UNIVERSITY FOUNDATION
(A Component Unit of Rowan University)

Management's Discussion and Analysis (Unaudited)

June 30, 2015 and 2014

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, 2015 and 2014, and comparative amounts for the year ended June 30, 2013. 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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Management's Discussion and Analysis (Unaudited)

June 30, 2015 and 2014

A summary of the Foundation's assets, liabilities, and net position as of June 30, 2015, 2014 and 2013 follows:

| | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|----------------------------|-------------------|----------------|----------------|
| | | (In thousands) | |
| Current assets | \$ 10,646 | 10,109 | 4,229 |
| Noncurrent assets | <u>180,744</u> | <u>181,206</u> | <u>162,507</u> |
| Total assets | <u>\$ 191,390</u> | <u>191,315</u> | <u>166,736</u> |
| Current liabilities | \$ 1,597 | 462 | 551 |
| Noncurrent liabilities | <u>1,586</u> | <u>1,545</u> | <u>1,732</u> |
| Total liabilities | <u>\$ 3,183</u> | <u>2,007</u> | <u>2,283</u> |
| Net position: | | | |
| Restricted nonexpendable | \$ 116,772 | 113,143 | 111,017 |
| Restricted expendable for: | | | |
| Inductotherm Scholarships | 103 | 177 | 1,863 |
| Other scholarships | 8,750 | 7,318 | 6,923 |
| College of Business | — | 4,153 | 4,432 |
| Other | 10,933 | 10,631 | 6,193 |
| Unrestricted | <u>51,649</u> | <u>53,886</u> | <u>34,025</u> |
| Total net position | <u>\$ 188,207</u> | <u>189,308</u> | <u>164,453</u> |

Current assets consist of cash and cash equivalents and the current portion of contributions receivable. Noncurrent assets consist of investments, noncurrent contributions receivable, and the investment in Rowan Innovation Venture Fund. 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 2015 Compared to Fiscal Year 2014

The increase in total assets of \$74,301 is primarily attributed to a decrease in contributions receivable due to the redesignation of the William G. Rohrer fund for Excellence in Business to a permanent endowment fund in the amount of \$4,153,205, offset by an increase in cash and cash equivalents of \$705,984, an increase in investments of \$3,235,306, an increase in other contributions receivable of \$272,603 and an increase in the investment in Rowan Innovation Venture Fund of \$13,613.

The increase in total liabilities of \$1,175,568 is primarily attributed to an increase of \$963,234 in due to Rowan University, an increase of \$171,592 in unearned revenue, an increase of \$48,871 in deposits held in custody for Rowan University Alumni Association and an increase of \$1,447 in accounts payable and accrued expenses, offset by a decrease of \$9,576 in annuities payable.

The total net position decreased \$1,101,267. Nonexpendable net position increased \$3,629,026. Expendable restricted net position decreased \$2,493,853. Unrestricted net position decreased \$2,236,440 during the period.

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Management's Discussion and Analysis (Unaudited)

June 30, 2015 and 2014

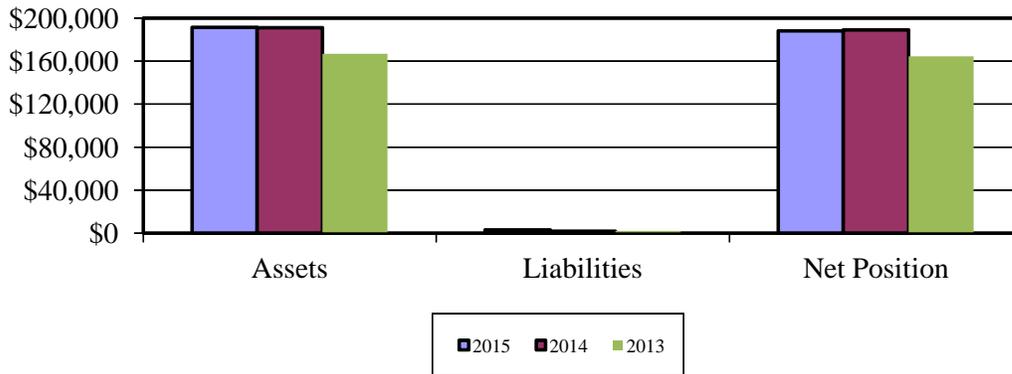
Fiscal Year 2014 Compared to Fiscal Year 2013

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.

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

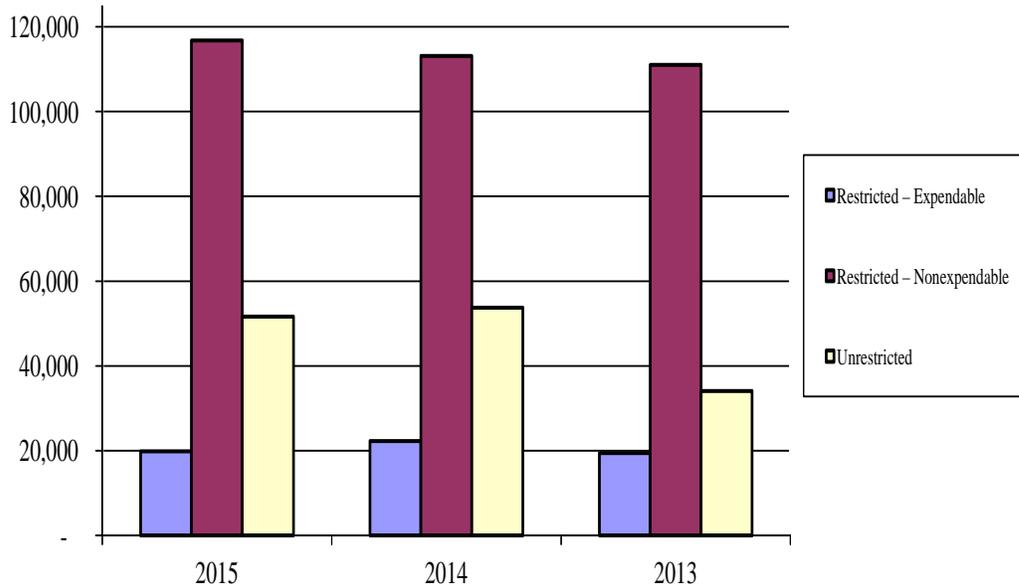


ROWAN UNIVERSITY FOUNDATION
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Management's Discussion and Analysis (Unaudited)

June 30, 2015 and 2014

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.

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Management's Discussion and Analysis (Unaudited)

June 30, 2015 and 2014

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, 2015, 2014 and 2013 follows:

| | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|---|-------------------|----------------|----------------|
| | | (In thousands) | |
| Operating revenues: | | | |
| Contributions | \$ 3,915 | 5,857 | 4,949 |
| Fund raising events | 93 | 123 | 77 |
| Total operating revenues | <u>4,008</u> | <u>5,980</u> | <u>5,026</u> |
| Operating expenses: | | | |
| Materials and supplies | 13 | 16 | 2 |
| Professional and other services | 342 | 405 | 311 |
| Other | 27 | 28 | 95 |
| Grants and scholarships | 10,174 | 10,051 | 9,669 |
| Total operating expenses | <u>10,556</u> | <u>10,500</u> | <u>10,077</u> |
| Operating loss | <u>(6,548)</u> | <u>(4,520)</u> | <u>(5,051)</u> |
| Nonoperating revenues (expenses): | | | |
| Investment income | 6,304 | 27,400 | 20,521 |
| Investment expenses | (212) | (159) | (108) |
| Adjustment to actuarial liability for annuities payable | (11) | 8 | (70) |
| Loss on Investment in Rowan Innovation Venture Fund | (36) | — | — |
| Pledge redesignated by donor | (4,153) | — | — |
| Net nonoperating revenues (expenses) | <u>1,892</u> | <u>27,249</u> | <u>20,343</u> |
| (Loss) income before other revenues | <u>(4,656)</u> | <u>22,729</u> | <u>15,292</u> |
| Additions to permanent endowments | <u>3,555</u> | <u>2,126</u> | <u>732</u> |
| (Decrease) increase in net position | <u>(1,101)</u> | <u>24,855</u> | <u>16,024</u> |
| Net position as of beginning of year | <u>189,308</u> | <u>164,453</u> | <u>148,429</u> |
| Net position as of end of year | <u>\$ 188,207</u> | <u>189,308</u> | <u>164,453</u> |

Fiscal Year 2015 Compared to Fiscal Year 2014

Operating revenues decreased \$1,971,156 due primarily to a decrease in operating contributions of \$1,941,261. Operating expenses increased \$107,337. Within operating expenses materials and supplies decreased \$2,947, professional and other services decreased \$62,280, other expenses decreased \$1,082, and grants and scholarships increased \$123,646.

Net nonoperating revenues (expenses) decreased \$25,356,869. This increase is largely attributed to a decrease in investment income of \$21,095,466. Investment expenses increased \$52,656 and the adjustment to actuarial liability for annuities payable increased \$19,155. In addition, a \$36,387 loss on the Investment in the Rowan Innovation

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June 30, 2015 and 2014

Venture Fund was recognized in 2015. This investment did not exist in 2014. Further, contribution revenue related to the William G. Rohrer Fund for Excellence in Business decreased \$4,153,205 due to the redesignation to an endowment fund by the donor.

Permanent endowment contributions for 2015 were \$3,555,016. This is a \$1,428,611 increase from the year ended June 30, 2014.

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.

Rowan Innovation Venture Fund

On August 14, 2014, the Foundation, as sole member, formed the Rowan Innovation Venture Fund as a legally separate limited liability corporation. The primary purpose of the corporation is to establish, develop, owning, 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 Rowan University community and to accelerate the impact of the University on the economic development of Southern New Jersey. The Rowan Innovation Venture Fund has been reported as a discretely presented component unit in the accompanying financial statements.

ROWAN UNIVERSITY FOUNDATION
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Statements of Net Position

June 30, 2015 and 2014

| | 2015 | | 2014 |
|--|--|---|--|
| | Rowan University Foundation | Component Unit Rowan Innovation Venture Fund | Rowan University Foundation |
| Assets | | | |
| Current assets: | | | |
| Cash and cash equivalents (note 2) | \$ 7,170,113 | 13,613 | 6,794,172 |
| Restricted cash and cash equivalents (note 2) | 2,359,501 | — | 2,029,458 |
| Contributions receivable, net (note 3) | 1,905 | — | — |
| Restricted contributions receivable, net (note 3) | 1,114,664 | — | 1,285,081 |
| Total current assets | <u>10,646,183</u> | <u>13,613</u> | <u>10,108,711</u> |
| Noncurrent assets: | | | |
| Investments, at fair value (note 2) | 46,968,851 | — | 48,580,075 |
| Restricted investments, at fair value (note 2) | 15,644,609 | — | 14,427,105 |
| Restricted nonexpendable investments, at fair value (note 2) | 116,772,100 | — | 113,143,074 |
| Contributions receivable, net (note 3) | 7,092 | — | — |
| Restricted contributions receivable, net (note 3) | 1,337,394 | — | 5,056,576 |
| Investment in Rowan Innovation Venture Fund | 13,613 | — | — |
| Total noncurrent assets | <u>180,743,659</u> | <u>—</u> | <u>181,206,830</u> |
| Total assets | <u>191,389,842</u> | <u>13,613</u> | <u>191,315,541</u> |
| Liabilities | | | |
| Current liabilities: | | | |
| Accounts payable and accrued expenses | 85,488 | — | 84,041 |
| Due to Rowan University | 963,234 | — | — |
| Unearned revenue | 531,069 | — | 359,477 |
| Annuities payable | 17,450 | — | 18,569 |
| Total current liabilities | <u>1,597,241</u> | <u>—</u> | <u>462,087</u> |
| Noncurrent liabilities (note 5): | | | |
| Deposits held in custody for Rowan University Alumni Association | 1,463,683 | — | 1,414,812 |
| Annuities payable | 122,015 | — | 130,472 |
| Total noncurrent liabilities | <u>1,585,698</u> | <u>—</u> | <u>1,545,284</u> |
| Total liabilities | <u>3,182,939</u> | <u>—</u> | <u>2,007,371</u> |
| Net Position | | | |
| Restricted: | | | |
| Nonexpendable (note 6) | 116,772,100 | — | 113,143,074 |
| Expendable: | | | |
| Inductotherm scholarships | 102,656 | — | 176,858 |
| Other scholarships | 8,750,207 | — | 7,318,257 |
| College of Business | — | — | 4,153,205 |
| Other | 10,932,771 | — | 10,631,167 |
| Unrestricted | 51,649,169 | 13,613 | 53,885,609 |
| Total net position | <u>\$ 188,206,903</u> | <u>13,613</u> | <u>189,308,170</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, 2015 and 2014

| | <u>2015</u> | | <u>2014</u> |
|---|--|---|--|
| | <u>Rowan University Foundation</u> | <u>Component Unit Rowan Innovation Venture Fund</u> | <u>Rowan University Foundation</u> |
| Operating revenues: | | | |
| Contributions (note 3) | \$ 3,915,523 | — | 5,856,784 |
| Fundraising events | 93,114 | — | 123,009 |
| Total operating revenues | <u>4,008,637</u> | <u>—</u> | <u>5,979,793</u> |
| Operating expenses: | | | |
| Materials and supplies | 13,368 | — | 16,315 |
| Professional and other services | 342,404 | 36,387 | 404,684 |
| Other | 26,612 | — | 27,694 |
| Grants and scholarships: | | | |
| Grants to Rowan University (note 4) | 8,110,814 | — | 8,526,564 |
| Student scholarships | 2,015,009 | — | 1,517,586 |
| Other grants | 48,570 | — | 6,597 |
| Total operating expenses | <u>10,556,777</u> | <u>36,387</u> | <u>10,499,440</u> |
| Operating loss | <u>(6,548,140)</u> | <u>(36,387)</u> | <u>(4,519,647)</u> |
| Nonoperating revenues (expenses): | | | |
| Investment income | 6,304,522 | — | 27,399,988 |
| Investment expenses | (211,601) | — | (158,945) |
| Adjustment to actuarial liability for annuities payable | (11,472) | — | 7,683 |
| Contribution from Rowan University Foundation | — | 50,000 | — |
| Loss on investment in Rowan Innovation Venture Fund | (36,387) | — | — |
| Pledge redesignated by donor | (4,153,205) | — | — |
| Net nonoperating revenues | <u>1,891,857</u> | <u>50,000</u> | <u>27,248,726</u> |
| (Loss) income before other revenues | <u>(4,656,283)</u> | <u>13,613</u> | <u>22,729,079</u> |
| Additions to permanent endowments | <u>3,555,016</u> | <u>—</u> | <u>2,126,405</u> |
| (Decrease) increase in net position | <u>(1,101,267)</u> | <u>13,613</u> | <u>24,855,484</u> |
| Net position as of beginning of year | <u>189,308,170</u> | <u>—</u> | <u>164,452,686</u> |
| Net position as of end of year | <u>\$ 188,206,903</u> | <u>13,613</u> | <u>189,308,170</u> |

See accompanying notes to financial statements.

ROWAN UNIVERSITY FOUNDATION
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Statements of Cash Flows

(Business-Type Activities – Rowan University Foundation only)

Years ended June 30, 2015 and 2014

| | 2015 | 2014 |
|---|----------------|--------------|
| Cash flows from operating activities: | | |
| Payments to suppliers | \$ (380,937) | (397,659) |
| Payments for grants and scholarships | (9,211,159) | (10,050,747) |
| Contributions | 3,814,512 | 6,706,028 |
| Receipts from Rowan University Alumni Association | 39,599 | — |
| Fundraising events | 93,114 | 123,009 |
| Net cash used by operating activities | (5,644,871) | (3,619,369) |
| Cash flows from noncapital financing activities: | | |
| Contributions to permanent endowments | 3,555,016 | 2,126,405 |
| Payments to annuitants | (21,048) | (44,303) |
| Net cash provided by noncapital financing activities | 3,533,968 | 2,082,102 |
| Cash flows from investing activities: | | |
| Investment income, net of investment expenses | 2,033,184 | 17,120,995 |
| Purchases of investments | (14,544,758) | (20,261,338) |
| Sales of investments | 15,378,461 | 10,566,193 |
| Contribution to the Rowan Innovation Venture Fund | (50,000) | — |
| Net cash provided by investing activities | 2,816,887 | 7,425,850 |
| Net increase in cash and cash equivalents | 705,984 | 5,888,583 |
| Cash and cash equivalents as of beginning of the year | 8,823,630 | 2,935,047 |
| Cash and cash equivalents as of end of the year | \$ 9,529,614 | 8,823,630 |
| Reconciliation of operating loss to net cash used by operating activities: | | |
| Operating loss | \$ (6,548,140) | (4,519,647) |
| Adjustments to reconcile operating loss to net cash used by operating activities: | | |
| Noncash transactions | | |
| Unrealized gain on deposits held in custody | (9,272) | (47,325) |
| Changes in assets and liabilities: | | |
| Contributions receivable | (272,603) | 849,244 |
| Accounts payable and accrued expenses | 1,447 | (21,121) |
| Due to Rowan University | 963,234 | — |
| Unearned revenue | 171,592 | 1,837 |
| Deposits held in custody for Rowan University Alumni Association | 48,871 | 117,643 |
| Net cash used by operating activities | \$ (5,644,871) | (3,619,369) |
| Noncash transactions: | | |
| Transfers to Rowan University: | | |
| Artwork | \$ — | 1,005,000 |
| Equipment | 10,000 | 128,925 |
| Capital | — | 445,000 |
| Adjustment to actuarial liability for annuities payable | (11,472) | 7,683 |
| Pledge redesignated by donor | (4,153,205) | — |
| Increase in fair value of investments | 4,059,737 | 10,120,047 |

See accompanying notes to financial statements.

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Notes to Financial Statements

June 30, 2015 and 2014

(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.

On August 14, 2014, the Rowan Innovation Venture Fund was formed as a legally separate, single member limited liability corporation. The primary purpose is to support the economic development of Southern New Jersey through offering venture capital. The Rowan Innovation Venture Fund is considered a component unit of the Foundation and is discretely presented in the accompanying financial statements (see note 7). The Foundation has a 100% ownership interest, which is reflected as an asset in the Foundation's statement of net position as of June 30, 2015.

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.

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Notes to Financial Statements

June 30, 2015 and 2014

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.

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*.

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, which are reviewed by the Foundation's management for reasonableness. 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.

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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.

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.

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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(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, 2015 and 2014:

| | 2015 | 2014 |
|---|----------------|-------------|
| Cash and cash equivalents | \$ 7,170,113 | 6,794,172 |
| Restricted cash and cash equivalents | 2,359,501 | 2,029,458 |
| Investments: | | |
| Bond mutual funds (domestic) | \$ 18,570,804 | 24,046,207 |
| Common stock mutual funds (domestic) | 69,281,831 | 62,066,940 |
| Common stock mutual funds (international) | 34,263,184 | 32,036,732 |
| Realty investments | 4,721,310 | 5,144,602 |
| Alternative investments | 52,548,431 | 52,855,773 |
| | \$ 179,385,560 | 176,150,254 |

As of June 30, 2015 and 2014, the Foundation's investments are reported on the statements of net position as follows:

| | 2015 | 2014 |
|--------------------------------------|----------------|-------------|
| Investments | \$ 46,968,851 | 48,580,075 |
| Restricted investments | 15,644,609 | 14,427,105 |
| Restricted nonexpendable investments | 116,772,100 | 113,143,074 |
| | \$ 179,385,560 | 176,150,254 |

For the years ended June 30, 2015 and 2014, the increase in fair value on investments was \$4,059,737 and \$10,120,047, respectively and the net realized (loss) gain on investments for June 30, 2015 and 2014 was (\$43,011) and \$15,202,589, 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 has committed total capital of \$42,000,000 in real estate and venture capital investments, \$6,003,304 of which is unfunded as of June 30, 2015. 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

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\$9,626,245 and \$8,663,348, as of June 30, 2015 and 2014 respectively. Of these amounts, \$250,000 was FDIC insured, leaving uninsured and uncollateralized balances of \$9,376,245 and \$8,413,348.

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 \$162,978 and \$162,874 as of June 30, 2015 and 2014 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, 2015 and 2014 are expected to be collected as follows:

| | 2015 | 2014 |
|-----------------------------------|---------------------|------------------|
| Year ending June 30: | | |
| Less than one year | \$ 1,116,569 | 1,285,081 |
| One to five years | 1,059,435 | 4,012,547 |
| More than five years | 550,000 | 2,711,195 |
| | 2,726,004 | 8,008,823 |
| Less present value discount at 5% | (264,949) | (1,667,166) |
| | \$ 2,461,055 | 6,341,657 |

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.

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Due to this redesignation by the donor, both restricted contributions receivable and contribution revenue related to the original pledge decreased by \$4,153,205. Pledges related to permanent endowments do not meet the eligibility requirements for recognition criteria of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, until cash is received.

(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, 2015 and 2014, such contributions were \$8,110,814 and \$8,526,564, respectively.

The fair value of the Foundation's endowment assets as of June 30, 2015 and 2014 were \$173,823,429 and \$171,063,161, respectively. This value represents accumulated appreciation in the amount of \$57,051,329 and \$57,920,087, respectively. This appreciation is reflected in the unrestricted and restricted expendable net position balances in the amounts of \$44,910,946 and \$12,140,383, respectively in 2015 and \$48,299,985 and \$9,620,102, respectively in 2014.

(5) Noncurrent Liabilities

Noncurrent liabilities activity for the years ended June 30, 2015 and 2014 was as follows:

| | | 2015 | | | | |
|--|--|----------------------|-----------|------------|-------------------|--------------------|
| | | Beginning balance | Additions | Reductions | Ending balance | Current portion |
| | Deposits held in custody for Rowan University Alumni Association | \$ 1,414,812 | 48,871 | — | 1,463,683 | — |
| | Annuities payable | 149,041 | 11,472 | 21,048 | 139,465 | 17,450 |
| | | \$ 1,563,853 | 60,343 | 21,048 | 1,603,148 | 17,450 |
| | | 2014 | | | | |
| | | Beginning balance | Additions | Reductions | Ending balance | Current portion |
| | 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 |
| | | \$ 1,820,070 | 124,346 | 380,563 | 1,563,853 | 18,569 |

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(6) Restricted Nonexpendable Net Position

Restricted nonexpendable net position as of June 30, 2015 and 2014 consist of the following:

| | 2015 | 2014 |
|---|----------------|-------------|
| 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 | 1,193,082 | 1,103,082 |
| Rohrer Scholars for scholarships | 1,080,932 | 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 |
| Rohrer College of Business | 1,513,580 | — |
| Henry M. Rowan College of Engineering Endowment | 1,000,000 | — |
| Other endowment funds | 9,166,210 | 8,140,864 |
| | \$ 116,772,100 | 113,143,074 |

(7) Rowan Innovation Venture Fund

Component Unit

Rowan Innovation Venture Fund (the “Company”) is a legally separate, single member limited liability component unit of the Foundation with a fiscal year-end of June 30. The Company was formed upon the filing of the Certificate of Formation with the Division of Revenue in the Department of the Treasury in the State of New Jersey on August 14, 2014. The Company is managed by or under the direction of a Board of Managers appointed by the Foundation. The primary purpose of the Company 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. Subject to the prior approval of the Foundation, the Company may also carry other lawful business, purpose or activity for which limited liability companies may be organized under the New Jersey Revised Uniform Limited Liability Company Act. Because the Foundation is legally entitled to or can otherwise access the Company’s resources, the Rowan Innovation Venture Fund is considered a component unit of the Foundation and is discretely presented as part of the Foundation’s financial statements.

During the year ended June 30, 2015, the Company received \$50,000 from the Foundation and incurred \$36,387 in professional and other services expense.