

Ramapo College Foundation

(A Component Unit of Ramapo College of New Jersey)

Financial Statements
Years Ended

June 30, 2017 and 2016

Independent Auditors' Report

Board of Governors Ramapo College Foundation

We have audited the accompanying financial statements of Ramapo College Foundation, a component unit of Ramapo College of New Jersey, which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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 of 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 Ramapo College Foundation as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PKF O'Connor Davies, LLP
October 11, 2017

Ramapo College Foundation

Statements of Financial Position

	June 30,	
	2017	2016
Assets		
Cash and cash equivalents	\$ 2,036,144	\$ 3,117,565
Grants receivable	322,363	401,860
Accounts receivable	107,665	205,183
Unconditional promises to give, net (Note 3)	4,386,979	3,437,799
Investments (Note 4)	18,534,429	16,499,353
Prepaid expenses	23,987	17,908
	<u>\$ 25,411,567</u>	<u>\$ 23,679,668</u>
Liabilities and Net Assets		
Liabilities		
Accounts Payable	\$ 69,503	\$ 36,905
Due to Ramapo College of New Jersey (Note 11)	1,576,747	2,341,488
Deferred income	98,990	76,050
Due to agency funds	14,546	36,588
Annuities payable	230,230	254,686
Total Liabilities	<u>1,990,016</u>	<u>2,745,717</u>
Net Assets		
Unrestricted (Note 5)	385,758	1,704,190
Temporary restricted (Note 6)	10,581,848	6,958,770
Permanently restricted (Note 7)	12,453,945	12,270,991
Total Net Assets	<u>23,421,551</u>	<u>20,933,951</u>
	<u>\$ 25,411,567</u>	<u>\$ 23,679,668</u>

Ramapo College Foundation

Statements of Activities

	Year Ended June 30, 2017				Year Ended June 30, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING SUPPORT AND REVENUE								
Donations	\$ 366,763	\$ 4,832,322	\$ 182,954	\$ 5,382,039	\$ 456,310	\$ 820,609	\$ 645,903	\$ 1,922,822
Contributed service revenue (Note 2)	1,499,620	-	-	1,499,620	1,192,354	-	-	1,192,354
Fundraising events, net (Note 8)	268,297	-	-	268,297	391,136	-	-	391,136
Grants	-	1,096,378	-	1,096,378	-	1,266,451	-	1,266,451
Program service	-	184,811	-	184,811	-	43,841	-	43,841
Other	207,209	-	-	207,209	272,629	-	-	272,629
Investment income (Note 4)	169,217	1,748,935	-	1,918,152	12,042	38,983	-	51,025
Allowance for doubtful promises (Note 3)	(1,273,000)	(727,000)	-	(2,000,000)	-	-	(1,000,000)	(1,000,000)
Net assets released from restrictions (Note 6)	3,512,368	(3,512,368)	-	-	3,498,006	(3,498,006)	-	-
Total Support and Revenue	4,750,474	3,623,078	182,954	8,556,506	5,822,477	(1,328,122)	(354,097)	4,140,258
EXPENSES								
Payment to College towards salaries	250,000	-	-	250,000	238,203	-	-	238,203
Contributed service expense (Note 2)	1,499,620	-	-	1,499,620	1,192,354	-	-	1,192,354
Capital and support payments to College (Note 6)	1,605,394	-	-	1,605,394	1,454,277	-	-	1,454,277
Foundation operations	209,253	-	-	209,253	186,540	-	-	186,540
Events, programs and fundraising	568,859	-	-	568,859	391,964	-	-	391,964
Scholarships and awards	645,296	-	-	645,296	603,808	-	-	603,808
Planned giving and capital campaign	139,668	-	-	139,668	178,971	-	-	178,971
College grants awarded	106,629	-	-	106,629	92,974	-	-	92,974
Expenses for restricted grants	1,044,187	-	-	1,044,187	1,337,684	-	-	1,337,684
Total Expenses	6,068,906	-	-	6,068,906	5,676,775	-	-	5,676,775
Change in Net Assets	(1,318,432)	3,623,078	182,954	2,487,600	145,702	(1,328,122)	(354,097)	(1,536,517)
NET ASSETS								
Beginning of year	1,704,190	6,958,770	12,270,991	20,933,951	1,558,488	8,286,892	12,625,088	22,470,468
End of year	\$ 385,758	\$ 10,581,848	\$ 12,453,945	\$ 23,421,551	\$ 1,704,190	\$ 6,958,770	\$ 12,270,991	\$ 20,933,951

See notes to financial statements

Ramapo College Foundation

Statements of Cash Flows

	Years Ended	
	June 30,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,487,600	\$ (1,536,517)
Adjustments to reconcile change in net assets to net cash from operating activities		
Permanently restricted contributions	(182,954)	(645,903)
Realized and unrealized (gain)loss on investments	(1,558,472)	282,117
Allowance for doubtful accounts	2,000,000	1,000,000
Change in operating assets and liabilities		
Grants receivable	79,497	62,917
Accounts receivable	97,518	(78,287)
Unconditional promises to give	(2,949,180)	1,257,420
Prepaid expenses	(6,079)	12,675
Accounts payable	32,598	(34,951)
Annuities payable	(24,456)	16,131
Due to Ramapo College of New Jersey	(764,741)	667,488
Deferred income	22,940	(24,161)
Due to agency funds	(22,042)	(57,760)
	(787,771)	921,169
Net Cash from Operating Activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of investments	2,259,463	741,654
Purchase of investments	(2,736,067)	(1,426,984)
	(476,604)	(685,330)
Net Cash from Investing Activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from permanently restricted contributions	182,954	645,903
	(1,081,421)	881,742
Net Change in Cash and Cash Equivalents		
CASH AND CASH EQUIVALENTS		
Beginning of year	3,117,565	2,235,823
End of year	\$ 2,036,144	\$ 3,117,565

See notes to financial statements

Ramapo College Foundation

Notes to Financial Statements

June 30, 2017 and 2016

1. **Organization**

The mission of Ramapo College Foundation (the "Foundation") is to provide the resources that make the difference in Ramapo College's quest for educational excellence. The purpose of the Foundation is to stimulate, solicit, receive and promote the receipt of resources from grants, bequests and gifts and to use such resources to enhance, support and complement the total mission of Ramapo College of New Jersey (the "College"). The Foundation also includes the accounts and activities of the Alumni Association of Ramapo College and the Friends of Ramapo.

Income Taxes

The Foundation is exempt from income tax under the Internal Revenue Code Section 501(c)(3).

2. **Summary of Significant Accounting Policies**

Basis of Presentation and Use of Estimates

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("US GAAP") which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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.

Net Asset Presentation

The Foundation reports information regarding its financial position and activities according to three classes of net assets based on donor imposed restrictions: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted

The part of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations are classified as unrestricted.

Temporarily Restricted

Net assets resulting from contributions and other inflows of assets whose use by the Foundation is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Foundation pursuant to those stipulations are classified as temporarily unrestricted. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Ramapo College Foundation

Notes to Financial Statements
June 30, 2017 and 2016

2. Summary of Significant Accounting Policies (continued)

Net Asset Presentation (continued)

Permanently Restricted

Net assets resulting from contributions and other inflows of assets whose use by the Foundation is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Foundation are classified as permanently restricted.

Board Designated Net Assets

Board designated net assets are unrestricted funds which the Board of Governors has identified to be used for specific purposes. Because these funds have not been restricted by donors, they are classified as unrestricted.

Contributions

All contributions including unconditional promises to give ("pledges") are reported as revenues in the period received or when there is verifiable documentation that the pledge is promised. Contributions received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions due in more than one year are reflected at the present value of estimated future cash flows using a risk adjusted discount rate and the discount is amortized as additional contribution revenue over the expected life of the pledge.

The Foundation often receives significant donations from single donors. As such, there is a concentration of donations received from single sources. Of the donation reported on the Statement of Activities, for the year ended June 30, 2017, 74% of the donations were provided by two donors and for the year ended June 30, 2016, 23% of the donations were provided by two donors.

Conditional contributions are not recorded by the Foundation until they become unconditional, that is, when the conditions on which they depend are substantially met. The Foundation has been named beneficiary in several estates. These amounts are deemed conditional and are not recorded as revenue by the Foundation until the wills have been probated. The Foundation had conditional gifts of approximately \$3,708,000 at June 30, 2017 and \$2,708,000 at June 30, 2016.

The Foundation has recognized in-kind revenue and a corresponding expense for contributed services associated with personnel who are paid directly by the College and are not subject to reimbursement by the Foundation.

Ramapo College Foundation

Notes to Financial Statements
June 30, 2017 and 2016

2. **Summary of Significant Accounting Policies (continued)**

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid short-term investments with a maturity of three months or less at the time of purchase. The carrying amounts of cash and cash equivalents approximate fair value because of their short-term maturities.

Allowance for Uncollectible Promises to Give

The allowance for doubtful promises is based on management's evaluation of current facts and circumstances concerning collectability of outstanding promises to give at the end of each year.

Fair Value of Financial Instruments

The Foundation follows US GAAP guidance on Fair Value Measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable and are used to the extent that observable inputs do not exist.

The fair value by level of the Foundation's investments are included in Note 4 to the financial statements.

Investments

Investments in marketable equity and bond mutual funds are valued at fair value in the statement of financial position. Certificates of deposit are valued at cost plus accrued interest which approximates fair value due to their short-term to maturity. Unrealized gains and losses are included in the change in net assets. Investment income or loss is included in the statement of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donors.

The Foundation seeks to achieve current income and capital appreciation while attempting to limit risk through the use of a diversified investment policy that minimizes the concentration of risk.

Annuities Payable

Included in the investments held by the Foundation and temporarily restricted net assets are investments in annuity income funds arising from contributions which are subject to agreements to pay donors a fixed annuity over the remainder of their lives. The net present value of the actuarially expected annuity payments is recorded as a liability and adjusted annually for changes in the estimates of future benefits.

Ramapo College Foundation

Notes to Financial Statements
June 30, 2017 and 2016

2. Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the notes to the financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Accounting for Uncertainty in Income Taxes

The Foundation recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the Foundation had no uncertain tax positions that would require financial statement recognition. The Foundation is no longer subject to examinations by the applicable taxing jurisdictions for the periods prior to 2014.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is October 11, 2017.

3. Unconditional Promises to Give Receivable

Contributions due in more than one year are reflected at the present value of estimated future cash flows using a risk adjusted discount rate of 5.00% for the years ending June 30, 2017 and 2016.

Unconditional promises to give receivable at June 30, 2017 discounted to fair value are summarized as follows:

<u>Scheduled Collection in Year Ended June 30</u>	<u>Future Value of Promise</u>	<u>Present Value Discount</u>	<u>Present Value of Promise</u>
2018	\$ 4,114,650	\$ -	\$ 4,114,650
2019	940,305	44,776	895,529
2020	916,482	85,206	831,276
2021	846,189	115,219	730,970
2022	147,000	26,063	120,937
Thereafter	<u>1,134,529</u>	<u>390,912</u>	<u>743,617</u>
	<u>\$ 8,099,155</u>	<u>\$ 662,176</u>	7,436,979
Less allowance for doubtful promises			<u>3,050,000</u>
			<u>\$ 4,386,979</u>

Ramapo College Foundation

Notes to Financial Statements
June 30, 2017 and 2016

3. Unconditional Promises to Give Receivable (continued)

Unconditional promises to give receivable at June 30, 2016 discounted to fair value are summarized as follows:

<u>Scheduled Collection in Year Ended June 30</u>	<u>Future Value of Promise</u>	<u>Present Value Discount</u>	<u>Present Value of Promise</u>
2017	\$ 2,707,399	\$ -	\$ 2,707,399
2018	1,162,592	55,362	1,107,230
2019	123,284	11,462	111,822
2020	93,931	12,790	81,141
2021	27,980	4,961	23,019
Thereafter	<u>740,666</u>	<u>283,478</u>	<u>457,188</u>
	<u>\$ 4,855,852</u>	<u>\$ 368,053</u>	4,487,799
			<u>1,050,000</u>
			<u>\$ 3,437,799</u>

As of June 30, 2017 three individual donors represented approximately 41% of unconditional promises to give, net. As of June 30, 2016 four individual donors represented approximately 52% of unconditional promises to give, net.

4. Investments

Investments categorized by the fair value hierarchy for those investments measured at fair value are summarized as follows at June 30:

	<u>2017 Fair Value</u>	<u>2016 Fair Value</u>
Level 1 (Quoted prices in active markets)		
Money market funds	\$ 42,499	\$ 23,442
Marketable equity mutual funds	13,408,953	11,109,643
Marketable bond mutual funds	<u>5,082,977</u>	<u>5,366,267</u>
	<u>18,534,429</u>	<u>16,499,353</u>

Ramapo College Foundation

Notes to Financial Statements
June 30, 2017 and 2016

4. Investments (continued)

The following schedule summarizes investment returns and their classifications in the statements of activities at June 30:

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Interest and dividends	\$ 31,731	\$ 327,949	\$ 359,680	\$ 78,622	\$ 254,520	\$ 333,142
Realized and unrealized gain (loss)	137,486	1,420,986	1,558,472	(66,580)	(215,537)	(282,117)
	<u>\$ 169,217</u>	<u>\$1,748,935</u>	<u>\$1,918,152</u>	<u>\$ 12,042</u>	<u>\$ 38,983</u>	<u>\$ 51,025</u>

5. Unrestricted Net Assets

Unrestricted net assets at June 30 represent gifts which is expendable to support operating activities.

	2017	2016
Unrestricted - Undesignated:		
Unrestricted - Operations	\$ 782,581	\$ 900,026
Unrestricted - Allowance for doubtful promise to give	(1,273,000)	-
Undesignated (net)	(490,419)	900,026
Unrestricted - Designated for scholarships	876,177	804,164
	<u>\$ 385,758</u>	<u>\$ 1,704,190</u>

6. Temporarily Restricted Net Assets

Investment income derived from permanently restricted net assets is included as temporarily restricted net assets until they are expended for donor restricted purposes. Temporarily restricted net assets at June 30 are available for the following purposes:

	2017	2016
Restricted as to purpose:		
Scholarships/academic enrichment	\$ 6,199,299	\$ 5,193,914
Capital Projects	4,030,898	1,440,640
Environmental and science education outreach	351,651	324,216
	<u>\$ 10,581,848</u>	<u>\$ 6,958,770</u>

Ramapo College Foundation

Notes to Financial Statements
June 30, 2017 and 2016

6. Temporarily Restricted Net Assets (continued)

Net assets were released from restrictions during the years ended June 30 as follows:

	<u>2017</u>	<u>2016</u>
Capital and support payments to the College	\$ 1,303,394	\$ 1,166,777
Restricted grants	1,044,187	1,337,684
Scholarships	628,577	571,543
Other	536,210	422,002
	<u>\$ 3,512,368</u>	<u>\$ 3,498,006</u>

Total support payments to the College also included unrestricted funds in the amount of \$658,629. Total scholarships and awards available were approximately \$735,000 and \$820,000 at June 30, 2017 and 2016, respectively.

7. Permanently Restricted Net Assets

Permanently restricted net assets at June 30 represent gifts, the income from which is expendable to support activities as follows:

	<u>2017</u>	<u>2016</u>
Academics/student development	\$ 3,622,978	\$ 3,622,785
Scholarships	8,830,967	8,648,206
	<u>\$ 12,453,945</u>	<u>\$ 12,270,991</u>

8. Fundraising Revenue

The Foundation has presented its unrestricted fundraising revenues net of its direct costs for the years ended June 30, as shown below:

	<u>2017</u>	<u>2016</u>
Fundraising revenue	\$ 483,839	\$ 658,084
Direct fundraising expenses	215,542	266,948
	<u>\$ 268,297</u>	<u>\$ 391,136</u>

Ramapo College Foundation

Notes to Financial Statements
June 30, 2017 and 2016

9. Functional Expenses

The functional expense breakdown is as follows for the years ended June 30:

	<u>2017</u>	<u>2016</u>
Programs	\$ 4,428,274	\$ 4,153,502
General & Administration	597,584	494,299
Fundraising	<u>1,043,048</u>	<u>1,028,974</u>
	<u>\$ 6,068,906</u>	<u>\$ 5,676,775</u>

10. Endowment Funds

The Foundation maintains various donor-restricted and board-designated endowment funds whose purposes are to provide long term support for the programs of Ramapo College of New Jersey. In classifying such funds for financial statement purposes as either permanently restricted, temporarily restricted or unrestricted net assets, the Board of Governors looks to the explicit directions of the donor or the Foundation's Board where applicable and the provisions of the laws of the State of New Jersey. The Board has determined that, absent donor stipulations to the contrary, the provisions of State law do not impose either a permanent or temporary restriction on the income or capital appreciation derived from an original gift.

For the years ended June 30, 2017 and 2016 the Foundation utilized a spending rate of 5% of the three year rolling average of the fair market value of each endowment. The spending rate is set each year by the Board and is subject to the terms of each endowment agreement.

The following is a reconciliation of the activity in the Endowment funds for the years ended June 30:

	<u>2017</u>			
	<u>Board Designated Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance, July 1, 2016	\$ 804,180	\$ 4,226,302	\$ 11,380,467	\$ 16,410,949
Contributions, pledge collections and designations	1,696	495	567,649	569,840
Appropriated for expenditure	(16,739)	(695,573)	-	(712,312)
Net investment gain	87,040	1,751,551	-	1,838,591
Balance, June 30, 2017	<u>\$ 876,177</u>	<u>\$ 5,282,775</u>	<u>\$ 11,948,116</u>	<u>\$ 18,107,068</u>
Comprised of the following:				
Donor restricted funds	\$ -	\$ 5,282,775	\$ 11,948,116	\$ 17,230,891
Board designated funds	<u>876,177</u>	<u>-</u>	<u>-</u>	<u>876,177</u>
	<u>\$ 876,177</u>	<u>\$ 5,282,775</u>	<u>\$ 11,948,116</u>	<u>\$ 18,107,068</u>

Ramapo College Foundation

Notes to Financial Statements
June 30, 2017 and 2016

10. Endowment Funds (continued)

	2016			Total
	Board Designated Unrestricted	Temporarily Restricted	Permanently Restricted	
Balance, July 1, 2015	\$ 774,875	\$ 4,878,387	\$ 10,464,908	\$ 16,118,170
Contributions, pledge collections and designations	50,446	2,175	915,559	968,180
Appropriated for expenditure	(32,265)	(702,587)	-	(734,852)
Net investment gain	11,124	48,327	-	59,451
Balance, June 30, 2016	\$ 804,180	\$ 4,226,302	\$ 11,380,467	\$ 16,410,949
Comprised of the following:				
Donor restricted funds	\$ -	\$ 4,226,302	\$ 11,380,467	\$ 15,606,769
Board designated funds	804,180	-	-	804,180
	\$ 804,180	\$ 4,226,302	\$ 11,380,467	\$ 16,410,949

11. Transactions with College

The Foundation makes payments to the College for reimbursement of certain expenditures including salaries and fringe benefits. These expenditures were \$4,671,383 and \$3,758,392 for the years ended June 30, 2017 and 2016, respectively. Of these amounts, the amounts due to the College as of June 30, 2017 and 2016 were \$1,576,747 and \$2,341,488, respectively.

12. Risk Concentration

The Foundation maintains its bank accounts and certificate of deposits at several financial institutions which at times may be in excess of Federal Deposit Insurance Corporation insured limits. In fiscal year 2017, changes were made to the bank account structure where the amount over \$250,000 is invested in a 3rd party guaranteed account and secured by US Government funds.

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