

Ramapo College Foundation

(A Component Unit of Ramapo College of New Jersey)

Financial Statements
As of and for the years ended

June 30, 2016 and 2015

Independent Auditors' Report

To the Board of Governors of 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, 2016 and 2015, 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, 2016 and 2015, 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 7, 2016

Ramapo College Foundation

Statements of Financial Position

	June 30,	
	2016	2015
Assets		
Cash and cash equivalents	\$ 3,117,565	\$ 2,235,823
Grants receivable	401,860	464,777
Accounts receivable	205,183	126,896
Unconditional promises to give, net (Note 3)	3,437,799	5,695,219
Investments (Note 4)	16,499,353	16,096,140
Prepaid expenses	17,908	30,583
	<u>\$ 23,679,668</u>	<u>\$ 24,649,438</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 36,905	\$ 71,856
Due to Ramapo College of New Jersey (Note 10)	2,341,488	1,674,000
Deferred income	76,050	100,211
Due to agency funds	36,588	94,348
Annuities payable	254,686	238,555
	<u>2,745,717</u>	<u>2,178,970</u>
Total Liabilities		
Net Assets		
Unrestricted		
Undesignated	900,026	783,614
Board Designated	804,164	774,874
	<u>1,704,190</u>	<u>1,558,488</u>
Total Unrestricted Net Assets		
Temporarily restricted (Note 5)	6,958,770	8,286,892
Permanently restricted (Note 6)	12,270,991	12,625,088
	<u>20,933,951</u>	<u>22,470,468</u>
Total Net Assets	<u>\$ 23,679,668</u>	<u>\$ 24,649,438</u>

See notes to financial statements.

Ramapo College Foundation

Statements of Activities

	Year Ended June 30, 2016				Year Ended June 30, 2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING SUPPORT AND REVENUE								
Donations	\$ 456,310	\$ 820,609	\$ 645,903	\$ 1,922,822	\$ 438,353	\$ 919,966	\$ 1,543,632	\$ 2,901,951
Contributed service revenue (Note 2)	1,192,354	-	-	1,192,354	1,366,917	-	-	1,366,917
Fundraising events, net (Note 7)	391,136	-	-	391,136	361,337	10,708	-	372,045
Grants (Note 12)	-	1,266,451	-	1,266,451	-	1,043,992	-	1,043,992
Special events	3,920	-	-	3,920	4,175	-	-	4,175
Memberships	17,960	-	-	17,960	19,640	-	-	19,640
Program service	-	43,841	-	43,841	-	19,959	-	19,959
Other	250,749	-	-	250,749	214,300	-	-	214,300
Investment income (Note 4)	12,042	38,983	-	51,025	6,135	213,437	-	219,572
Allowance for doubtful promises (Note 3)	-	-	(1,000,000)	(1,000,000)	-	-	-	-
Net assets released from restrictions (Note 5)	3,498,006	(3,498,006)	-	-	3,647,235	(3,647,235)	-	-
Total Support and Revenue	5,822,477	(1,328,122)	(354,097)	4,140,258	6,058,092	(1,439,173)	1,543,632	6,162,551
EXPENSES								
Payment to College towards salaries	238,203	-	-	238,203	224,720	-	-	224,720
Contributed service expense (Note 2)	1,192,354	-	-	1,192,354	1,366,917	-	-	1,366,917
Capital and support payments to College (Note 5)	1,454,277	-	-	1,454,277	1,834,019	-	-	1,834,019
Foundation operations	186,540	-	-	186,540	160,599	-	-	160,599
Events, programs and fundraising	391,964	-	-	391,964	169,687	-	-	169,687
Scholarships and awards	603,808	-	-	603,808	597,890	-	-	597,890
Planned giving and capital campaign	178,971	-	-	178,971	136,963	-	-	136,963
College grants awarded	92,974	-	-	92,974	89,262	-	-	89,262
Expenses for restricted grants	1,337,684	-	-	1,337,684	1,366,104	-	-	1,366,104
Total Expenses	5,676,775	-	-	5,676,775	5,946,161	-	-	5,946,161
Change in Net Assets	145,702	(1,328,122)	(354,097)	(1,536,517)	111,931	(1,439,173)	1,543,632	216,390
NET ASSETS								
Beginning of year	1,558,488	8,286,892	12,625,088	22,470,468	1,446,557	9,726,065	11,081,456	22,254,078
End 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

See notes to financial statements.

Ramapo College Foundation

Statements of Cash Flows

	Year Ended June 30,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (1,536,517)	\$ 216,390
Adjustments to reconcile change in net assets to net cash from operating activities		
Permanently restricted contributions	(645,903)	(1,543,632)
Realized and unrealized loss on investments	282,117	75,914
Allowance for doubtful accounts	1,000,000	-
Change in operating assets and liabilities		
Grants receivable	62,917	794,741
Accounts receivable	(78,287)	(74,530)
Unconditional promises to give	1,257,420	240,020
Prepaid expenses	12,675	22,810
Accounts payable	(34,951)	19,860
Annuities payable	16,131	1,079
Due to Ramapo College of New Jersey	667,488	16,433
Deferred income	(24,161)	(6,375)
Due to agency funds	(57,760)	30,550
	921,169	(206,740)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of investments	741,654	1,749,226
Purchase of investments	(1,426,984)	(2,029,453)
	(685,330)	(280,227)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from permanently restricted contributions	645,903	1,543,632
	881,742	1,056,665
CASH AND CASH EQUIVALENTS		
Beginning of year	2,235,823	1,179,158
End of year	\$ 3,117,565	\$ 2,235,823

See notes to financial statements.

Ramapo College Foundation

Notes to Financial Statements
June 30, 2016 and 2015

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 restricted. 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, 2016 and 2015

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, 2016, 23% of the donations were provided by two donors and for the year ended June 30, 2015, 55% of the donations were provided by five 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 \$2,708,000 at June 30, 2016 and 2015, respectively.

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, 2016 and 2015

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 accounts is based on management's evaluation 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, 2016 and 2015

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 2013.

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 7, 2016.

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, 2016 and 2015.

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
Less allowance for doubtful promises			<u>1,050,000</u>
			<u>\$ 3,437,799</u>

Ramapo College Foundation

Notes to Financial Statements
June 30, 2016 and 2015

3. Unconditional Promises to Give Receivable *(continued)*

Unconditional promises to give receivable at June 30, 2015 discounted to fair value are summarized as follows:

Scheduled Collection in Year Ended June 30	Future Value of Promise	Present Value Discount	Present Value of Promise
2016	\$ 2,064,235	\$ -	\$ 2,064,235
2017	1,970,039	93,811	1,876,228
2018	1,210,880	112,576	1,098,304
2019	91,915	12,515	79,400
2020	16,611	2,945	13,666
Thereafter	994,186	380,800	613,386
	\$ 6,347,866	\$ 602,647	5,745,219
Less allowance for doubtful promises			50,000
			\$ 5,695,219

As of June 30, 2016 four individual donors (two of whom are reflected in the June 30, 2015 balance) represented approximately 73% of unconditional promises to give. As of June 30, 2015 three individual donors represented approximately 68% of unconditional promises to give.

4. Investments

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

	2016	2015
	Fair Value	Fair Value
Level 1 (Quoted prices in active markets)		
Money market funds	\$ 23,442	\$ 820
Marketable equity mutual funds	11,109,643	11,151,233
Marketable bond mutual funds	5,366,267	4,805,950
	16,499,353	15,958,003
Certificates of deposits	-	138,137
	\$ 16,499,353	\$ 16,096,140

Ramapo College Foundation

Notes to Financial Statements
June 30, 2016 and 2015

4. Investments (continued)

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

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Interest and dividends	\$ 78,622	\$ 254,520	\$ 333,142	\$ 8,256	\$ 287,230	\$ 295,486
Realized and unrealized loss	(66,580)	(215,537)	(282,117)	(2,121)	(73,793)	(75,914)
	\$ 12,042	\$ 38,983	\$ 51,025	\$ 6,135	\$ 213,437	\$ 219,572

5. 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:

	2016	2015
Restricted as to purpose:		
Scholarships/academic enrichment	\$ 5,193,914	\$ 5,361,157
Capital Projects	1,440,640	2,542,707
Environmental and science education outreach	324,216	383,028
	\$ 6,958,770	\$ 8,286,892

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

	2016	2015
Capital and support payments to the College	\$ 1,166,777	\$ 1,559,019
Restricted grants	1,337,684	1,366,104
Scholarships	571,543	570,352
Other	422,001	151,760
	\$ 3,498,006	\$ 3,647,235

Total support payments to the College also included unrestricted funds in the amount of \$287,000. Total scholarships and awards available were approximately \$820,000 and \$775,000 at June 30, 2016 and 2015, respectively.

Ramapo College Foundation

Notes to Financial Statements
June 30, 2016 and 2015

6. 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>2016</u>	<u>2015</u>
Academics/student development	\$ 3,622,785	\$ 3,640,874
Scholarships	<u>8,648,206</u>	<u>8,984,214</u>
	<u>\$ 12,270,991</u>	<u>\$ 12,625,088</u>

7. 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>2016</u>	<u>2015</u>
Fundraising revenue	\$ 658,084	\$ 674,864
Direct fundraising expenses	<u>266,948</u>	<u>313,527</u>
Fundraising revenue, net	<u>\$ 391,136</u>	<u>\$ 361,337</u>

8. Functional Expenses

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

	<u>2016</u>	<u>2015</u>
Programs	\$ 4,153,502	\$ 4,320,747
General & Administration	494,299	531,078
Fundraising	<u>1,028,974</u>	<u>1,094,336</u>
	<u>\$ 5,676,775</u>	<u>\$ 5,946,161</u>

Ramapo College Foundation

Notes to Financial Statements
June 30, 2016 and 2015

9. 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, 2016 and 2015 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:

	2016			
	Board Designated Unrestricted	Temporarily Restricted	Permanently Restricted	Total
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

Ramapo College Foundation

Notes to Financial Statements
June 30, 2016 and 2015

9. Endowment Funds *(continued)*

	2015			
	Board Designated Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance, July 1, 2014	\$ 805,822	\$ 5,077,158	\$ 9,562,767	\$ 15,445,747
Contributions, pledge collections and designations	4,144	237,974	902,141	1,144,259
Appropriated for expenditure	(29,780)	(650,727)	-	(680,507)
Net investment (loss)/gain	(5,311)	213,982	-	208,671
Balance, June 30, 2015	\$ 774,875	\$ 4,878,387	\$ 10,464,908	\$ 16,118,170
Comprised of the following:				
Donor restricted funds	\$ -	\$ 4,878,387	\$ 10,464,908	\$ 15,343,295
Board designated funds	774,875	-	-	774,875
	\$ 774,875	\$ 4,878,387	\$ 10,464,908	\$ 16,118,170

10. Transactions with College

The Foundation makes payments to the College to reimbursement of certain expenditures including salaries and fringe benefits. These expenditures were \$3,758,392 and \$4,091,547 for the years ended June 30, 2016 and 2015, respectively. Of these amounts, the amounts due to the College as of June 30, 2016 and 2015 were \$2,341,488 and \$1,674,000, respectively.

11. 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.

12. Restricted Grants

The Foundation receives funding for specific College grants from various agencies, and the grant expenses are those incurred in connection with the completion of these projects. The most significant of these grants in fiscal 2016 and 2015 is the Environmental Outreach at the Meadowlands; the funding is received from a grant from New Jersey Meadowlands Commission. Revenue from this grant was \$728,378 and \$658,462 in 2016 and 2015, respectively.

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