

**Ramapo College Foundation
Management’s Discussion and Analysis - Unaudited
June 30, 2017**

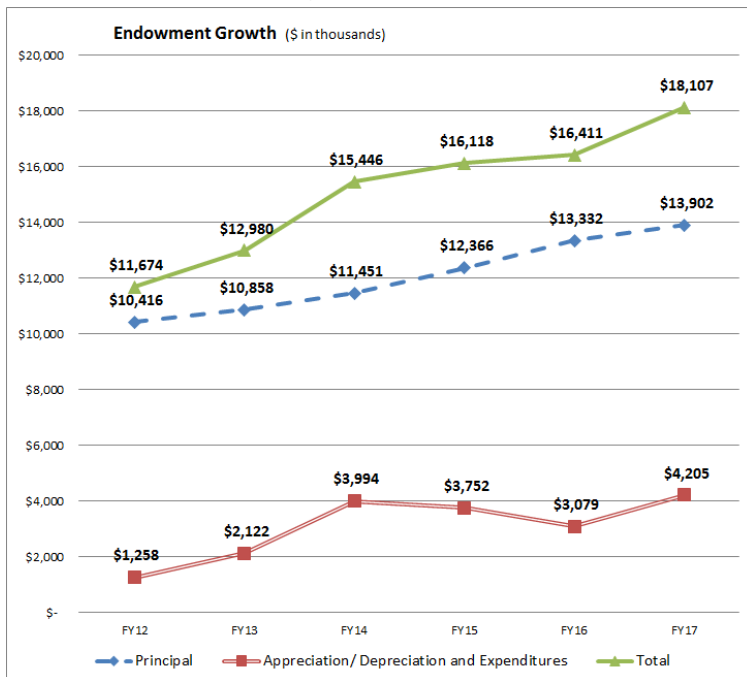
Foundation Overview

The mission of Ramapo College Foundation (the Foundation) “is to provide resources that make a difference in Ramapo College of New Jersey’s quest for educational excellence.” The Foundation, established in 1971 as a nonprofit corporation, is a 501(c)(3) charitable institution. Its purposes include providing funds to Ramapo College of New Jersey (the College) for student scholarships, educational programs, faculty development and research, community programs, construction projects, capital needs, and other College activities. The Foundation meets these goals through fundraising efforts, solicitation of annual fund donations, and securing capital and other restricted gifts, as well as grant contracts. The Foundation is a component unit of the College and operates within the College’s Institutional Advancement Division.

As an entity that follows accounting standards of the Financial Accounting Standards Board (FASB), the Foundation is not required to accompany its basic financial statements with a Management’s Discussion and Analysis (MD&A). However, Foundation management believes that some discussion and analysis provide useful information and helps the users of the Foundation’s financial statements. Accordingly, it has prepared the following MD&A to accompany the Foundation’s financial statements and provide an overview of the financial activities for its fiscal year ended June 30, 2017, with comparative information for the prior two periods. This presentation includes highly summarized information and should be read in conjunction with the Foundation’s audited financial statements and footnotes.

Foundation Highlights

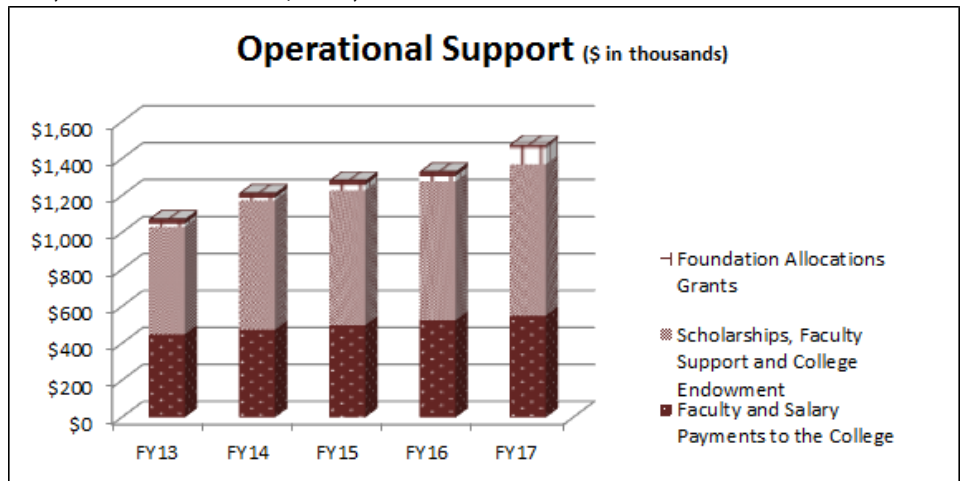
The Foundation had a phenomenal year and its financial position continues to be strong. The endowment balance grew to more than \$18.1 million. Over the last five years, there has been a 33% growth in principle and 55% growth in total value. In Fiscal 2017, the rate of return on endowment investments was 11.4%. In addition, over \$735,000 of endowed and annual funds were available to the College for scholarship and program support.



The growth in the endowment surpassed the strategic goals set by both the Foundation and College by \$1.4 million. This is despite the Foundations continuing its average spend rate of 5% for Fiscal 2017, as compared to the average of 3.7% for institutions with endowment pools of the same value (according to National Association of College and University Business Officers Fiscal 2016 statistics).

In Fiscal 2017, the Foundation was able to maintain the same level of student scholarships issued in Fiscal 2016, which include funding from the endowments, as well as annual support from donors. There were 424 awards, valued at over \$598,000.

Overall Fiscal 2017 operational support provided to the College increased by 5% from the prior year, to over \$1.47 million. In fiscal year 2016, operating support was \$1.33 million. In addition to providing scholarships, these funds are used to support faculty and staff salaries, programs and various faculty grant allocations.



Capital support to the College in Fiscal Years 2017 and 2016 were \$1.6 million and \$1.5 million, respectively. Therefore, total support to the College in Fiscal 2017 exceeded \$3 million.

Statements of Activities

In Fiscal Year 2017, the net assets of the Foundation increased by \$2.5 million, 11.9%. The Statements of Activities reports the Foundation’s income and expenses for a specific period of time, with focus on the annual revenue raised and the expenses incurred. As a result, this Statement also shows the Foundation’s changes to net assets. The Foundation’s net assets are equivalent to the net worth of the organization and are one way to measure the Foundation’s financial health. Trends are important to monitor, but in any given year a significant change in net assets may result from a unique event such as receipt of a significant gift or disbursement of

a large capital payment to the College. Consideration should also be given to net asset trends and to non-financial factors that can reflect on the overall health of the Foundation and the College.

Total support and revenue for Fiscal Year 2017 was \$8.6 million, as compared to \$4.1 million in Fiscal Year 2016. The majority of the change in revenue occurred as a result of a \$3.5 million increase in donations, as the result of a very successful, ongoing, capital campaign, and a \$2.0 million increase in investment income, offset by the necessity of increasing the allowance for doubtful promises, as described in the next paragraph.

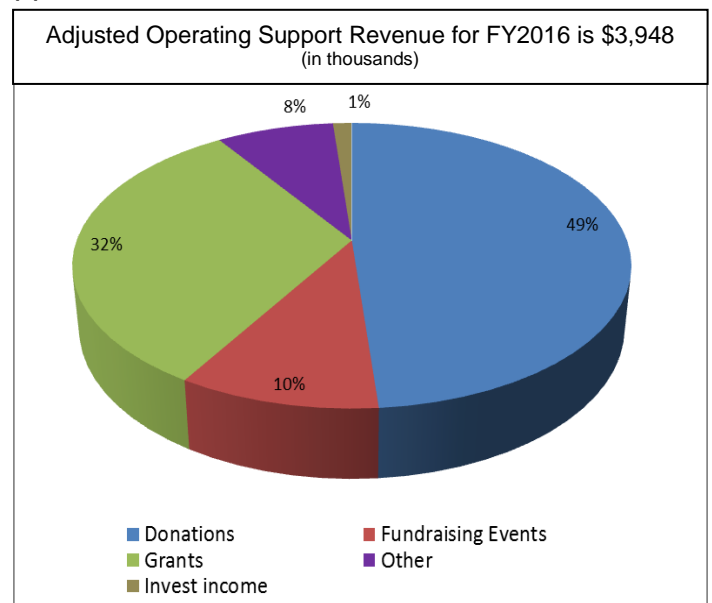
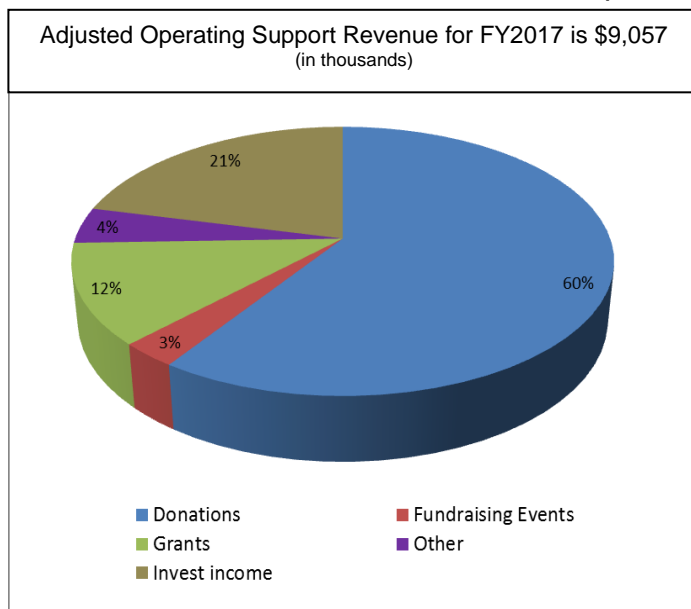
Condensed Statements of Activities (in thousands)	For the year ended June 30,		
	2017	2016	2015
Operating Support Revenue			
Donations	\$ 5,382	\$ 1,923	\$ 2,902
Contributed service revenue	1,500	1,192	1,367
Fund raising events, net	268	391	372
Grants	1,096	1,266	1,044
Special events/Membership/Program Services/Other	393	317	258
Investment income(loss)	1,918	51	220
Allowance for doubtful promise	(2,000)	(1,000)	-
Total Support and Revenue	8,557	4,140	6,163
Expenses			
Capital, salary and support payments to College	1,855	1,692	2,059
Contributed service expense	1,500	1,192	1,367
Foundation operations	209	186	161
Events & programs/Fundraising/Planned giving & capital campaign	709	571	307
Scholarships and awards/College grants awarded	752	697	687
Expenses for restricted grants	1,044	1,338	1,366
Total Expenses	6,069	5,676	5,947
Change in Net Assets	2,488	(1,536)	216
Net Assets			
Beginning of year	20,934	22,470	22,254
End of year	\$ 23,422	\$ 20,934	\$ 22,470

The allowance for doubtful promises for 2017 and 2016 were \$2.0 million and \$1.0 million respectively. This is based on management’s evaluation of current facts and circumstances concerning the collectability of outstanding promises to give at the end of each fiscal year. The Foundation established a reserve for a receivable that is past due; however we still believe to be valid, with an undetermined future payment date.

Total Expenses for Fiscal Year 2017 was \$6.1 million, as compared to Fiscal Year 2016 of \$5.7 million. The change of \$393,000 was predominately the result of increased payments to the College for capital, salary and support payments of \$2,000 and increase in program expenses of \$138,000 which supports the growth of The Krame Center.

In Fiscal Years 2017 and 2016, the Foundation recorded donated service revenue and expense relating to the affiliate support it receives from the College, of \$1.5 and \$1.2 million respectively. These amounts show a gross up in the Statement of Activities with no cumulative effect on the change in net assets or total assets. The Foundation has recognized in-kind revenue and a corresponding expense for this contribution associated with personnel who are paid directly by the College and are not subject to reimbursement by the Foundation.

The Foundation receives support and revenue from a variety of sources. These sources include donations, fundraising, grants, special events, bequests and other planned giving instruments, pledges, investment income and gifts-in-kind. Excluding the contributed service revenue and valuation allowance, a breakdown of the operating support revenue sources is below:



The Foundation’s revenue, when removing the impact of the contributed service revenue, allowance for doubtful promise and investment returns, was up 83% in Fiscal 2017 as compared to Fiscal 2016, and down 15% in Fiscal 2016, as compared to Fiscal 2015. The increase in Fiscal Year 2017 is primarily the result of a 180% increase from the timing of two significantly large gifts supporting the Capital Campaign and 24% increase in program revenue, offset by 32% and 13% decrease in fund raising events and grants respectively. In Fiscal 2015 the Foundation was fortunate to receive a one-time \$1 million gift. Adjusting for the impact of the \$1 million gift and consider all other information remains comparable, Fiscal 2016 revenue increased by 9%.

Statement of Financial Position

The Statement of Financial Position reports information on the Foundation at a single point in time. This is the report that shows the accumulated results of all the individual years of the

Condensed Statement of Financial Position			
(in thousands)			
	At June 30,		
	2017	2016	2015
Assets			
Cash and cash equivalents	\$ 2,036	\$ 3,118	\$ 2,236
Grants receivable/AR/ Prepaid expense	455	625	622
Unconditional promises to give, net	4,387	3,438	5,895
Investments	18,534	16,499	16,096
	<u>\$25,412</u>	<u>\$23,680</u>	<u>\$24,649</u>
Liabilities and Net Assets			
Liabilities			
AP/Due Ramapo College/Due to agency funds	1,661	2,415	1,840
Deferred income	99	76	100
Annuities payable	230	255	239
Total Liabilities	1,990	2,746	2,179
Net Assets			
Total Net Assets	<u>23,422</u>	<u>20,934</u>	<u>22,470</u>
	<u>\$25,412</u>	<u>\$23,680</u>	<u>\$24,649</u>

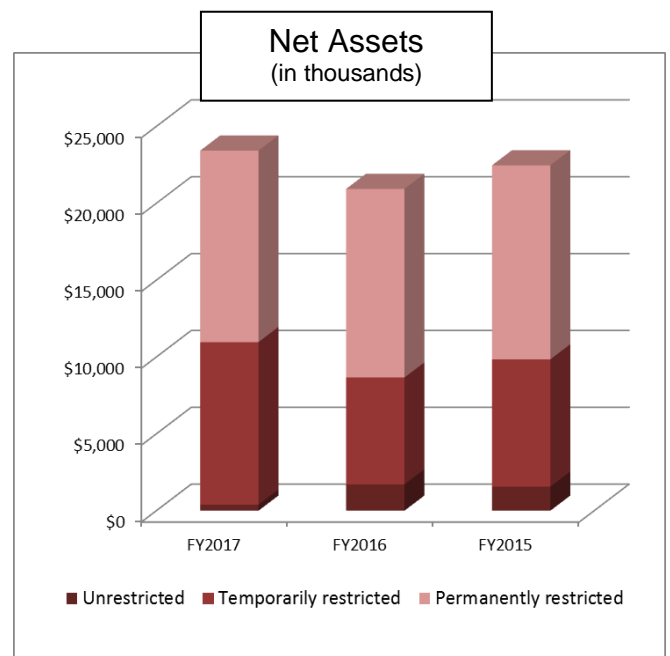
Foundations operations put together. The comparison to the prior years will show changes in the timing of the assets and liabilities.

Trends should be reviewed over a number of years to see the impact on the net assets and the composition of the net assets year-over-year. In Fiscal Year 2017, assets increased by \$1.7 million and liabilities decreased by \$756,000 from 2016. In Fiscal Year 2016, assets decreased by \$1.0 million and liabilities increased by \$567,000 from 2015. The change in liabilities was predominantly caused from paying a large 2016 capital payable to the College in 2017.

The Statement of Financial Position shows the residual interest in the Foundation's assets after liabilities. These net assets are divided into three categories, as shown below, at June 30.

In Fiscal Year 2017, the Total Net Assets of the Foundation increased by \$2.5 million. Unrestricted net assets decreased by \$1.3 million as a direct result of recording the allowance for doubtful promises. In prior years, the Foundation released \$1.3 million from Temporary Restricted Net Assets to record a payable to the College. That payable has yet to be paid since the funds have not been received from the donor, hence the allowance reflecting in unrestricted net assets. Temporary Restricted Net Assets increased by \$3.6 million from increased donations.

Fiscal 2016, total net assets decreased by \$1.5 million. This is a result of the allowance for doubtful promise of \$1 million for permanently restricted assets, offset by an increase of \$.6 million in additional contributions. Temporarily restricted assets decreased by \$1.3 million, or 16%, as a result of the release of funds to the College for operational support, scholarship and programming, as well as capital support.



Statement of Cash Flows

Another way to view financial health is to look at the Statement of Cash Flows. Its primary purpose is to provide relevant information about cash receipts and cash payments of an entity during an accounting period. The financial data below is for the fiscal years ended June 30, 2017, 2016 and 2015. The Statement of Cash Flows helps users assess an entity's ability to generate cash and its ability to meet its obligations. It should be noted that there often is a timing difference between when cash is received by an organization and released. Therefore, several years should be reviewed to determine the pattern of cash flows.

The variance in cash is mainly attributable to timing of payments and support to the College and the release of funds for various restricted projects.

Comparison of Cash Flows (in thousands)	Year ending June 30,		
	2017	2016	2015
Net cash (used in) provided by			
Operating activities	\$ (788)	\$ 921	\$ (207)
Investing activities	(477)	(685)	(280)
Permanently restricted contributions	183	646	1,544
Net increase (decrease) in cash and cash equivalents	(1,082)	882	1,057
Cash and cash equivalents beginning of year	3,118	2,236	1,179
Cash and Cash Equivalents, end of year	\$ 2,036	\$ 3,118	\$ 2,236

Future Outlook

Ramapo College continues to expand and renovate on-campus facilities. The College received a \$15 million bond from the State of New Jersey to support the transformation of Potter Library into a 21st century Learning Commons. As a result, the Foundation has launched a single purpose capital campaign for private funding to provide additional capital support; approximately \$6.3 million in gifts, pledges and other promises to give was secured in Fiscal 2017. In addition to the funds already raised, the goal for Fiscal 2018 is to obtain another \$4.1 million in designated gifts and pledges.

In addition, since July 1, 2017, the Foundation has already secured over \$3.7 million of multi-year grants, of which approximately \$1.4 million will be recognized in Fiscal Year 2018.

The foundation employs what it believes to be sound fiscal management which contributes to the stability in its financial health. Continued emphasis will be placed on grant growth, and planned giving legacy programs, securing significant capital and programmatic support to renovate facilities, and increasing annual fund participation levels. The Foundation is working on meeting the final goals of its five-year Strategic Plan (2014-2018), along with its commitments to the College's Plan. Specifically, the Foundation will strive to increase its operational support and grant revenues by 5% annually. The Foundation will also be working on developing the next five-year Strategic Plan.