

Ramapo College Foundation Management's Discussion and Analysis June 30, 2018

Foundation Overview

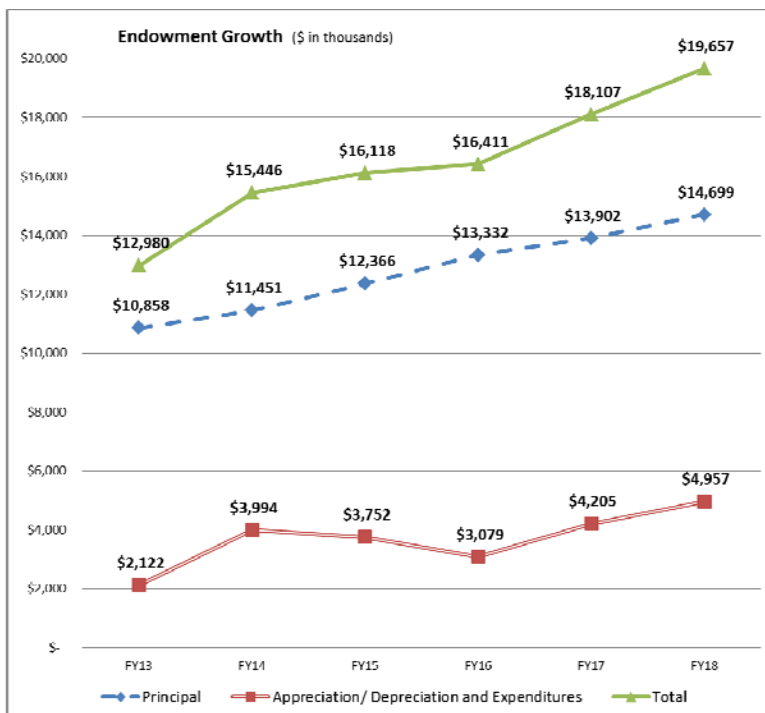
The mission of Ramapo College Foundation (the Foundation) “is to provide resources that make a difference in Ramapo College of New Jersey’s quest for educational excellence.” The Foundation, established in 1971 as a nonprofit corporation, is a 501(c)(3) charitable institution. Its purposes include providing 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, 2018, 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

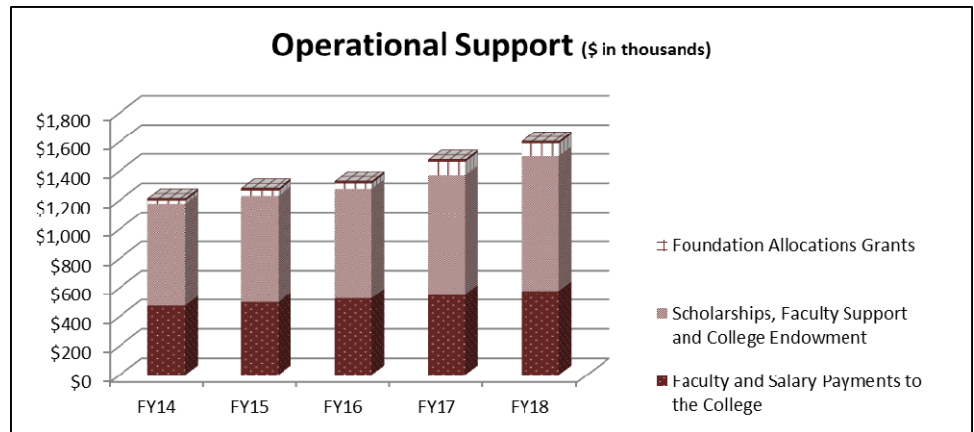
The Foundation had a great year and its financial position continues to be strong. The endowment balance grew to more than \$19.6 million. Over the last five years, there has been a 35% growth in principle and 51% growth in total value. In Fiscal 2018, the rate of return on endowment investments was 9.1%. In addition, approximately \$870,000 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 \$2.1 million. This is despite the Foundations continuing its average spend rate of 5% for Fiscal 2018, 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 2018, 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 2018 operational support provided to the College increased by 8.5% from the prior year, to over \$1.6 million. In fiscal year 2017, operating support was \$1.47 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 2018 and 2017 were \$1.8 million and \$1.6 million, respectively. Therefore, total support to the College in Fiscal 2018 exceeded \$3.4 million.

Statements of Activities

In Fiscal Year 2018, the net assets of the Foundation increased by \$3.9 million, 17%. 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

Condensed Statements of Activities (in thousands)	For the year ended June 30,		
	2018	2017	2016
Operating Support Revenue			
Donations	\$ 4,327	\$ 5,382	\$ 1,923
Contributed service revenue	1,532	1,500	1,192
Fund raising events, net	308	268	391
Grants	1,411	1,096	1,266
Special events/Membership/Program Services/Other	460	393	317
Investment income(loss)	1,644	1,918	51
Allowance for doubtful promise	-	(2,000)	(1,000)
Total Support and Revenue	9,682	8,557	4,140
Expenses			
Capital, salary and support payments to College	2,540	1,855	1,692
Contributed service expense	1,532	1,500	1,192
Foundation operations	160	209	186
Events & programs/Fundraising/Planned giving & capital campaign	800	709	571
Scholarships and awards/College grants awarded	854	752	697
Expenses for restricted grants	1,154	1,044	1,338
Total Expenses	7,040	6,069	5,676
Change in Net Assets Before Release of Promise to Pay	2,642	2,488	(1,536)
Release of Promise to Pay - Ramapo College Of New Jersey	1,273		
Change in Net Assets	3,915		
Net Assets			
Beginning of year	23,422	20,934	22,470
End of year	\$ 27,337	\$ 23,422	\$ 20,934

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 2018 was \$9.7 million, as compared to \$8.6 million in Fiscal Year 2017.

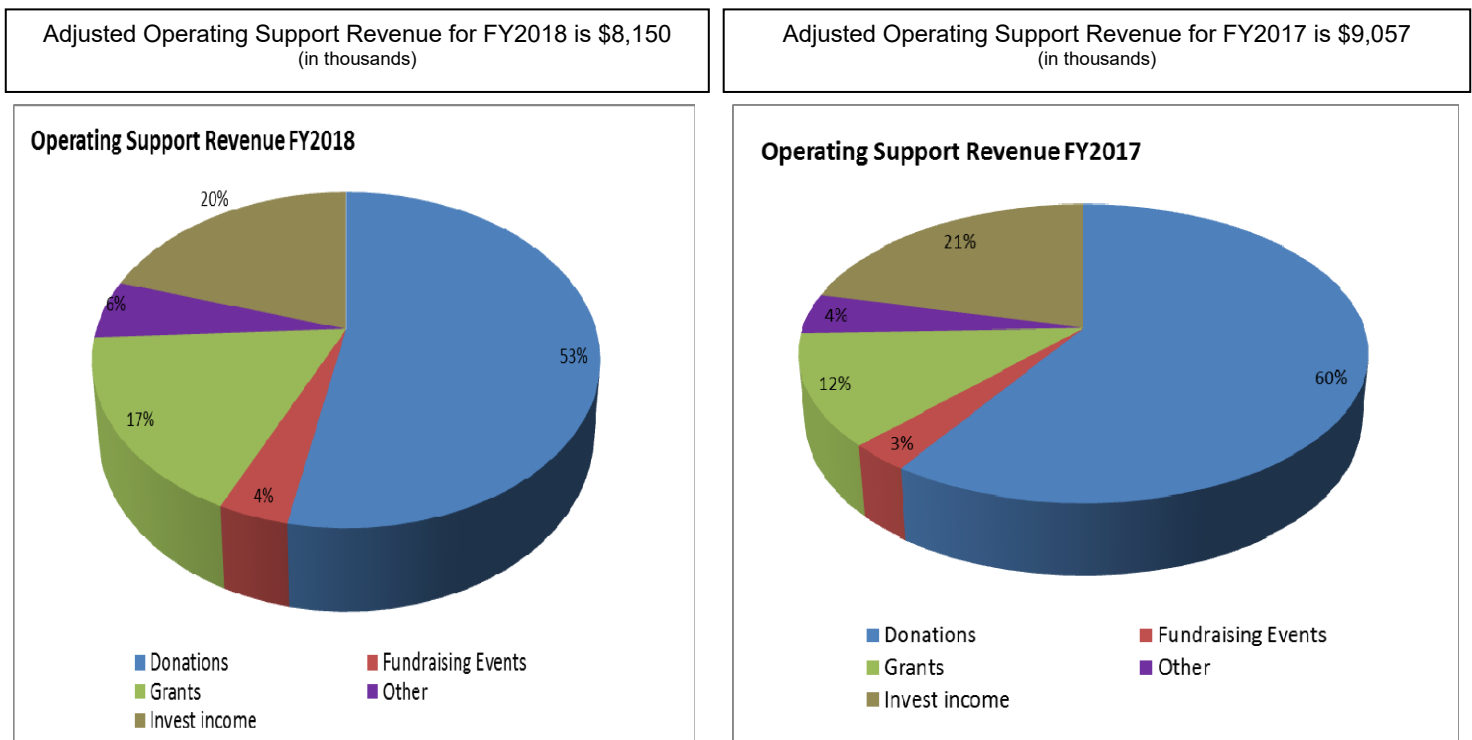
Total Expenses for Fiscal Year 2018 was \$7.0 million, as compared to Fiscal Year 2017 of \$6.1 million.

The change of \$971,000 was predominately the result of increased payments to the College for capital, salary and support payments of \$685,000 and increase in program expenses of \$91,000 which supports the growth of The Krame Center.

In 2018, the Foundation was relieved of a promise to pay Ramapo College of NJ in the amount of \$1,273,000. This is a result of a donor being unable to fulfill their pledge.

In Fiscal Years 2018 and 2017, the Foundation recorded donated service revenue and expense relating to the affiliate support it receives from the College, of \$1.5 million for each year. 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 down 10% in Fiscal 2018 as compared to Fiscal 2017, and up 83% in Fiscal 2017, as compared to Fiscal 2016. The decrease in Fiscal Year 2018 is primarily the result of the timing of two significantly large gifts supporting the Capital Campaign in 2017 as compared to by one significantly large gift in Fiscal 2018. In addition, there was a 30% increase in grants and a 15% increase in fund raising events in Fiscal 2018.

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 Foundations operations put together. The comparison to the prior years will show changes in

the timing of the assets and liabilities.

Condensed Statement of Financial Position			
(in thousands)			
	At June 30,		
	2018	2017	2016
Assets			
Cash and cash equivalents	\$ 719	\$ 2,036	\$ 3,118
Grants receivable/AR/ Prepaid expense	443	455	625
Unconditional promises to give, net	5,480	4,387	3,438
Investments	21,541	18,534	16,499
	<u>\$28,183</u>	<u>\$25,412</u>	<u>\$23,680</u>
Liabilities and Net Assets			
Liabilities			
AP/Due Ramapo College/Due to agency funds	468	1,661	2,415
Deferred income	161	99	76
Annuities payable	217	230	255
Total Liabilities	846	1,990	2,746
Net Assets			
Total Net Assets	27,337	23,422	20,934
	<u>\$28,183</u>	<u>\$25,412</u>	<u>\$23,680</u>

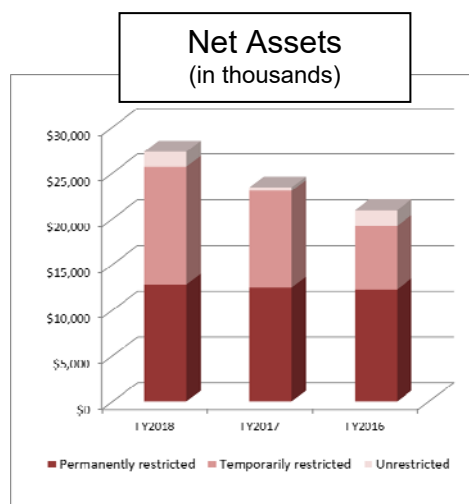
Trends should be reviewed over a number of years to see the impact on the net assets and the composition of the net assets year-over-year. In Fiscal Year 2018, assets increased by \$2.8 million. Liabilities decreased by \$1.1 million from 2017 due to Ramapo College relieving the Foundation of a promise to pay for \$1.2 million. In Fiscal Year 2017, assets increased by \$1.7 million and liabilities decreased by \$756,000 from 2016. The change in assets was predominantly caused by

a large pledge received in Fiscal Year 2018, as well increase in investments.

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 2018, the Total Net Assets of the Foundation increased by \$3.9 million. Unrestricted net assets increased \$1.3 million as a result of Ramapo College relieving the Foundation of a promise to pay in the amount of \$1.2 million. Temporary Restricted and Restricted net assets increased by \$2.3 million and \$338,000 from increased donations, respectively.

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. In 2017, that payable had not been paid since the funds had 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.



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, 2018, 2017 and 2016. 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,		
	2018	2017	2016
Net cash (used in) provided by			
Operating activities	\$ 110	\$ (788)	\$ 921
Investing activities	(1,765)	(477)	(685)
Permanently restricted contributions	338	183	646
Net increase (decrease) in cash and cash equivalents	(1,317)	(1,082)	882
Cash and cash equivalents beginning of year	2,036	3,118	2,236
Cash and Cash Equivalents, end of year	\$ 719	\$ 2,036	\$ 3,118

Future Outlook

Ramapo College continues to expand and renovate on-campus facilities. In Fiscal Year 2016, 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 \$8 million in gifts, pledges and other promises to give was secured in Fiscal Years 2017 and 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 will be working on completing final goals for the next five-year Strategic Plan (2019-2023), along with its commitments to the College's Plan.