

# Ramapo College Foundation Management's Discussion and Analysis June 30, 2019

## Foundation Overview

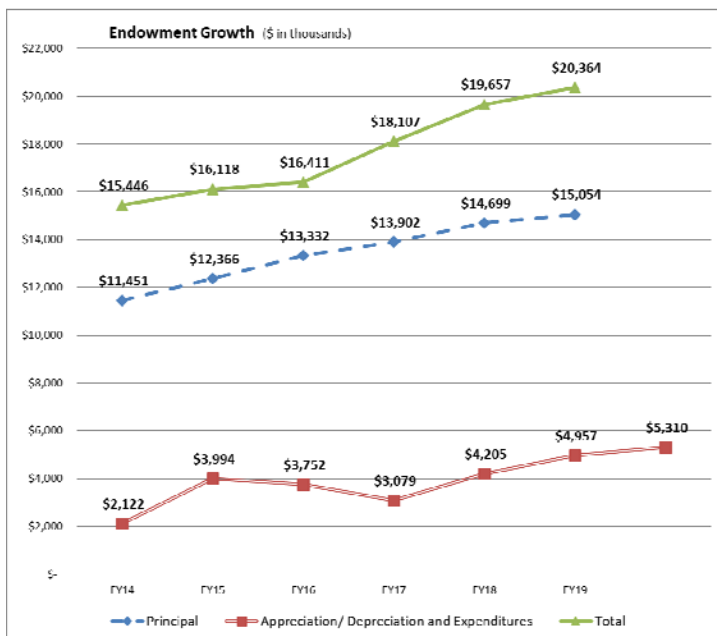
The mission of Ramapo College Foundation (the Foundation) “is to provide resources that make a difference in Ramapo College of New Jersey’s quest for educational excellence.” The Foundation, established in 1971 as a nonprofit corporation, is a 501(c)(3) charitable institution. Its purposes include providing 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, 2019, 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

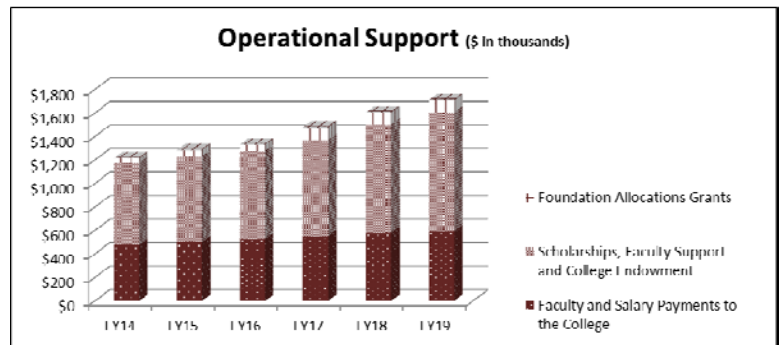
The Foundation financial position continues to be strong. The endowment balance grew to more than \$20.3 million. Over the last five years, there has been a 31% growth in principle and 32% growth in total value. In Fiscal 2019, the rate of return on endowment investments was 6.4%. In addition, approximately \$898,000 of endowed and annual funds were available to the College for scholarship and program support.

The growth in the endowment surpassed the College’s strategic plan goal which was to increase endowment corpus to \$15 million by 2021. This goal was achieved as well as the Foundation continuing its average spend rate of 5% for Fiscal 2019, as compared to the average of 4.1% for institutions with endowment pools of the same value (according to National Association of College and University Business Officers Fiscal 2018 statistics).



In Fiscal 2019, the Foundation was able to increase the level of student scholarships issued in Fiscal 2018, which include funding from the endowments, as well as annual support from donors. There were 492 awards, valued at over \$710,000.

Overall Fiscal 2019 operational support provided to the College increased by 6.6% from the prior year, to over \$1.7 million. In fiscal year 2018, operating support was \$1.6 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 2019 and 2018 was \$1.4 million and \$1.8 million, respectively. Therefore, total support to the College in Fiscal 2019 exceeded \$3.1 million.

### Statements of Activities

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,		
	2019	2018	2017
<b>Operating Support Revenue</b>			
Donations	\$ 3,265	\$ 4,328	\$ 5,382
Contributed service revenue	1,363	1,532	1,500
Fund raising events, net	303	308	268
Grants	1,559	1,411	1,096
Special events/Membership/Program Services/Other	427	461	393
Investment income(loss)	1,316	1,644	1,918
Allowance for doubtful promise	(2,250)	-	(2,000)
<b>Total Support and Revenue</b>	<b>5,983</b>	<b>9,684</b>	<b>8,557</b>
<b>Expenses</b>			
Capital, salary and support payments to College	2,199	2,542	1,855
Contributed service expense	1,363	1,532	1,500
Foundation operations	171	160	209
Events & programs/Fundraising/Planned giving & capital campaign	765	800	709
Scholarships and awards/College grants awarded	943	854	752
Expenses for restricted grants	1,321	1,154	1,044
<b>Total Expenses</b>	<b>6,762</b>	<b>7,042</b>	<b>6,069</b>
<b>Change in Net Assets</b>	<b>(779)</b>	<b>2,642</b>	<b>2,488</b>
Release of Promise to Pay	-	1,273	-
	<b>(779)</b>	<b>3,915</b>	<b>2,488</b>
<b>Net Assets</b>			
Beginning of year	27,337	23,422	20,934
<b>End of year</b>	<b>\$ 26,558</b>	<b>\$ 27,337</b>	<b>\$ 23,422</b>

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.

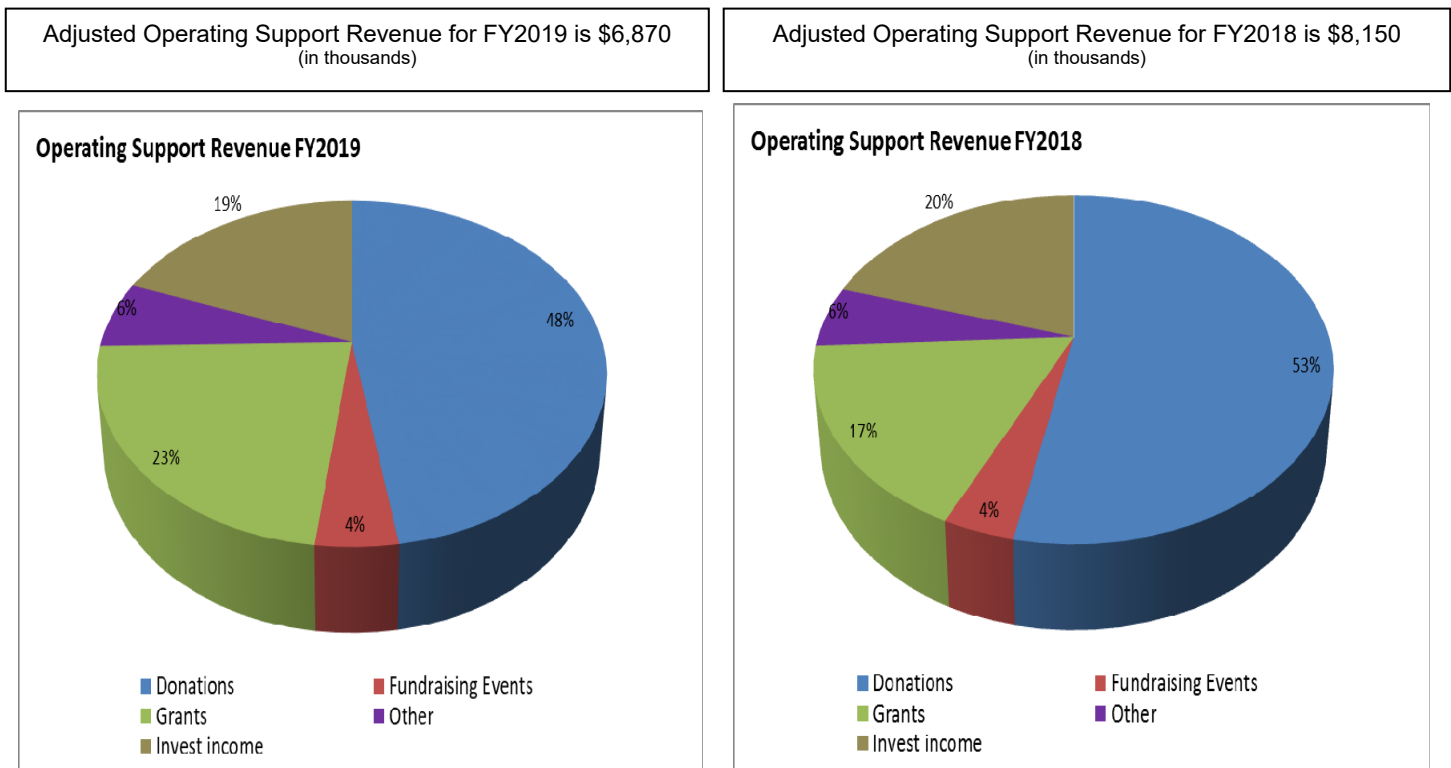
In Fiscal Year 2019, the net assets of the Foundation decreased by \$779,000 or 2.8%. This decrease was due primarily to the loss of \$2.2 million in philanthropic support that a donor confirmed would no longer be available.

Total support and revenue for Fiscal Year 2019 was \$6.0 million, as compared to \$9.7 million in Fiscal Year 2018. The decrease was due in large part to the allowance for the doubtful promise of \$2.2 million mentioned above as well as lower investment income and donations.

Total Expenses for Fiscal Year 2019 was \$6.7 million, as compared to Fiscal Year 2018 of \$7.0 million. The change of \$278,000 was the result of decreased revenue generating less expense, capital payments to the College and a decrease in contributed services due to open positions filled later in the year.

In Fiscal Years 2019 and 2018, the Foundation recorded donated service revenue and expense relating to the affiliate support it receives from the College, of \$1.3 and \$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 16% in Fiscal 2019 as compared to Fiscal 2018, and down 10% in Fiscal 2018, as compared to Fiscal 2017. The two year decrease of 26% vs Fiscal Year 2017 is primarily the result of donor support that would not be fulfilled. In addition, donations and fundraising revenue were lower in Fiscal 2019 vs Fiscal 2018. This decrease is offset in part by higher grant revenue which increased 10%.

## 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.

<b>Condensed Statement of Financial Position</b>			
(in thousands)			
	<b>2019</b>	<b>At June 30, 2018</b>	<b>2017</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 589	\$ 719	\$ 2,036
Grants receivable/AR/ Prepaid expense	650	443	455
Unconditional promises to give, net	3,925	5,480	4,387
Investments	<u>22,130</u>	<u>21,541</u>	<u>18,534</u>
	<b><u>\$27,294</u></b>	<b><u>\$28,183</u></b>	<b><u>\$25,412</u></b>
<b>Liabilities and Net Assets</b>			
<b>Liabilities</b>			
AP/Due Ramapo College/Due to agency funds	448	468	1,661
Deferred income	80	161	99
Annuities payable	<u>208</u>	<u>217</u>	<u>230</u>
Total Liabilities	736	846	1,990
<b>Net Assets</b>			
Total Net Assets	<u>26,558</u>	<u>27,337</u>	<u>23,422</u>
	<b><u>\$27,294</u></b>	<b><u>\$28,183</u></b>	<b><u>\$25,412</u></b>

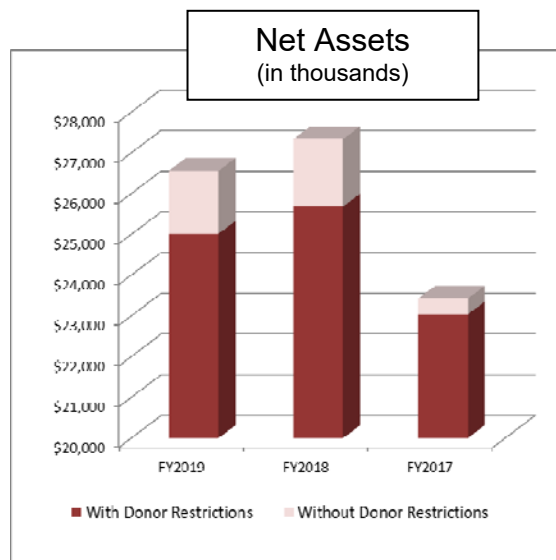
Trends should be reviewed over a number of years to see the impact on the net assets and the composition of the net assets year-over-year. In Fiscal Year 2019, assets decreased by \$889,000 and liabilities decreased by \$110,000 from 2018. The change in assets was predominantly caused by the decrease in unconditional promises to give (pledges) as a result of philanthropic support which was no longer available. This decrease was offset in part by an increase in investment value.

In Fiscal Year 2018, assets increased by \$2.8 million and liabilities increased by \$129,000 from 2017.

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

In Fiscal Year 2019, total net assets of the Foundation decreased by \$779,000. This decrease was caused by an allowance for an uncollectible promise to give of \$2.2 million. When the Foundation received confirmation that philanthropic support from a single donor would not be available, the full amount of the uncollectible promise was reflected in the financial statements. Without the impact of this transaction, net assets would have increased \$1.5 million.

In Fiscal Year 2018, total net assets of the Foundation increased by \$3.9 million. Net assets without donor restrictions increased \$1.3 million. In December of 2018, the Foundation recorded revenue of \$1.3 million when it was relieved of a promise to pay Ramapo College of New Jersey because a donor would not be able to fulfill a pledge



for the Capital Campaign. Net assets with donor restrictions increased by \$2.6 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, 2019, 2018 and 2017. 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	Year ending June 30,		
	2019	2018	2017
(in thousands)			
Net cash (used in) provided by			
Operating activities	\$ (1,220)	\$ 110	\$ (788)
Investing activities	302	(1,765)	(477)
Permanently restricted contributions	787	338	183
	<hr/>	<hr/>	<hr/>
Net increase (decrease) in cash and cash equivalents	(131)	(1,317)	(1,082)
Cash and cash equivalents beginning of year	720	2,036	3,118
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<b>Cash and Cash Equivalents, end of year</b>	<b>\$ 589</b>	<b>\$ 719</b>	<b>\$ 2,036</b>
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## 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 \$10 million in gifts, pledges and other promises to give has been secured to date for this project.

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 work to complete final goals for the current Strategic Plan 2018-2021: Fulfilling Our Promise.