

Ramapo College Foundation

(A Component Unit of Ramapo College of New Jersey)

Financial Statements
Years Ended

June 30, 2018 and 2017

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, 2018 and 2017, 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, 2018 and 2017, 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
April 3, 2019

Ramapo College Foundation
(A Component Unit of Ramapo College of New Jersey)
Statements of Financial Position

	June 30,	
	2018	2017
Assets		
Cash and cash equivalents	\$ 719,521	\$ 2,036,144
Grants receivable	332,242	322,363
Accounts receivable	87,310	107,665
Unconditional promises to give, net (Note 3)	5,479,600	4,386,979
Investments (Note 4)	21,541,235	18,534,429
Prepaid expenses	23,004	23,987
	\$ 28,182,912	\$ 25,411,567
 Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 91,998	\$ 69,503
Due to Ramapo College of New Jersey (Note 11)	349,325	1,576,747
Deferred income	161,028	98,990
Due to agency funds	26,940	14,546
Annuities payable	216,564	230,230
	845,855	1,990,016
Net Assets		
Unrestricted (Note 5)	1,653,067	385,758
Temporary restricted (Note 6)	12,892,263	10,581,848
Permanently restricted (Note 7)	12,791,727	12,453,945
	27,337,057	23,421,551
	\$ 28,182,912	\$ 25,411,567

See notes to financial statements

Ramapo College Foundation
(A Component Unit of Ramapo College of New Jersey)
Statements of Activities

	Year Ended June 30, 2018				Year Ended June 30, 2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING SUPPORT AND REVENUE								
Donations	\$ 356,253	\$ 3,633,337	\$ 337,782	\$ 4,327,372	\$ 366,763	\$ 4,832,322	\$ 182,954	\$ 5,382,039
Contributed service revenue (Note 2)	1,531,922	-	-	1,531,922	1,499,620	-	-	1,499,620
Fundraising events, net (Note 8)	308,401	-	-	308,401	268,297	-	-	268,297
Grants	-	1,411,414	-	1,411,414	-	1,096,378	-	1,096,378
Program service	-	190,275	-	190,275	-	184,811	-	184,811
Other	270,510	-	-	270,510	207,209	-	-	207,209
Investment income (Note 4)	130,877	1,513,310	-	1,644,187	169,217	1,748,935	-	1,918,152
Allowance for doubtful promises (Note 3)	-	-	-	-	(1,273,000)	(727,000)	-	(2,000,000)
Net assets released from restrictions (Note 6)	4,437,921	(4,437,921)	-	-	3,512,368	(3,512,368)	-	-
Total Support and Revenue	7,035,884	2,310,415	337,782	9,684,081	4,750,474	3,623,078	182,954	8,556,506
EXPENSES								
Payment to College towards salaries	264,944	-	-	264,944	250,000	-	-	250,000
Contributed service expense (Note 2)	1,531,922	-	-	1,531,922	1,499,620	-	-	1,499,620
Capital and support payments to College	2,275,439	-	-	2,275,439	1,605,394	-	-	1,605,394
Foundation operations	160,195	-	-	160,195	209,253	-	-	209,253
Events, programs and fundraising	590,210	-	-	590,210	568,859	-	-	568,859
Scholarships and awards	752,618	-	-	752,618	645,296	-	-	645,296
Planned giving and capital campaign	209,930	-	-	209,930	139,668	-	-	139,668
College grants awarded	101,866	-	-	101,866	106,629	-	-	106,629
Expenses for restricted grants	1,154,451	-	-	1,154,451	1,044,187	-	-	1,044,187
Total Expenses	7,041,575	-	-	7,041,575	6,068,906	-	-	6,068,906
Change in Net Assets Before								
Release of Promise to Pay	(5,691)	2,310,415	337,782	2,642,506	(1,318,432)	3,623,078	182,954	2,487,600
Release of Promise to Pay - Ramapo								
College of New Jersey (Note 13)	1,273,000	-	-	1,273,000	-	-	-	-
Change in Net Assets	1,267,309	2,310,415	337,782	3,915,506	(1,318,432)	3,623,078	182,954	2,487,600
NET ASSETS								
Beginning 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
End of year	\$ 1,653,067	\$ 12,892,263	\$ 12,791,727	\$ 27,337,057	\$ 385,758	\$ 10,581,848	\$ 12,453,945	\$ 23,421,551

See notes to financial statements

Ramapo College Foundation
(A Component Unit of Ramapo College of New Jersey)
Statements of Cash Flows

	Year Ended June 30,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 3,915,506	\$ 2,487,600
Adjustments to reconcile change in net assets to net cash from operating activities		
Release of promise to pay - Ramapo College of New Jersey	(1,273,000)	-
Permanently restricted contributions	(337,782)	(182,954)
Realized and unrealized gain on investments	(1,242,104)	(1,558,472)
Allowance for doubtful accounts	-	2,000,000
Change in operating assets and liabilities		
Grants receivable	(9,879)	79,497
Accounts receivable	20,355	97,518
Unconditional promises to give	(1,092,621)	(2,949,180)
Prepaid expenses	983	(6,079)
Accounts payable	22,495	32,598
Annuities payable	(13,666)	(24,456)
Due to Ramapo College of New Jersey	45,578	(764,741)
Deferred income	62,038	22,940
Due to agency funds	12,394	(22,042)
	110,297	(787,771)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of investments	11,029,316	2,259,463
Purchase of investments	(12,794,018)	(2,736,067)
	(1,764,702)	(476,604)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from permanently restricted contributions	337,782	182,954
	(1,316,623)	(1,081,421)
CASH AND CASH EQUIVALENTS		
Beginning of year	2,036,144	3,117,565
End of year	\$ 719,521	\$ 2,036,144

See notes to financial statements

Ramapo College Foundation

Notes to Financial Statements
June 30, 2018 and 2017

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.

The Foundation is considered a component unit of the College for financial reporting purposes, as its purpose for operations is entirely or almost entirely for the direct benefit of the College. Accordingly, the Foundation's financial statements are discretely presented in the College's basic financial statements.

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, 2018 and 2017

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 donations reported on the Statement of Activities, for the year ended June 30, 2018, 75% of the donations were provided by two donors and for the year ended June 30, 2017, 74% 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 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, 2018 and 2017

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, 2018 and 2017

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 2015.

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 April 3, 2019.

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, 2018 and 2017.

Unconditional promises to give receivable at June 30, 2018 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
2019	\$ 1,381,596	\$ -	\$ 1,381,596
2020	1,223,033	58,125	1,164,908
2021	1,142,163	106,187	1,035,976
2022	478,843	65,200	413,643
2023	420,000	74,465	345,535
Thereafter	1,680,644	492,702	1,187,942
	\$ 6,326,279	\$ 796,679	5,529,600
Less allowance for doubtful promises			50,000
			\$ 5,479,600

Ramapo College Foundation

Notes to Financial Statements
June 30, 2018 and 2017

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

Unconditional promises to give receivable at June 30, 2017 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
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	1,134,529	390,912	743,617
	\$ 8,099,155	\$ 662,176	7,436,979
Less allowance for doubtful promises			3,050,000
			\$ 4,386,979

As of June 30, 2018 three individual donors represented approximately 90% of unconditional promises to give, net. As of June 30, 2017 two individual donors represented approximately 75% 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:

	2018	2017
	Fair Value	Fair Value
Level 1 (Quoted prices in active markets)		
Money market funds	\$ 1,976,597	\$ 42,499
Marketable equity mutual funds	14,323,691	13,408,953
Marketable bond mutual funds	5,240,947	5,082,977
	\$ 21,541,235	\$ 18,534,429

Ramapo College Foundation

Notes to Financial Statements
June 30, 2018 and 2017

4. Investments (continued)

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

	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Interest and dividends	\$ 32,006	\$ 370,077	\$ 402,083	\$ 31,731	\$ 327,949	\$ 359,680
Realized and unrealized gain	98,871	1,143,233	1,242,104	137,486	1,420,986	1,558,472
	<u>\$ 130,877</u>	<u>\$1,513,310</u>	<u>\$1,644,187</u>	<u>\$ 169,217</u>	<u>\$ 1,748,935</u>	<u>\$ 1,918,152</u>

5. Unrestricted Net Assets

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

	2018	2017
Unrestricted - Undesignated:		
Operations	\$ 720,751	\$ 782,581
Allowance for doubtful promise to give	-	(1,273,000)
Undesignated (net)	720,751	(490,419)
Unrestricted - Designated for scholarships	932,316	876,177
	<u>\$ 1,653,067</u>	<u>\$ 385,758</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:

	2018	2017
Restricted as to purpose:		
Scholarships/academic enrichment	\$ 8,411,207	\$ 6,199,299
Capital projects	4,048,625	4,030,898
Environmental and science education outreach	432,431	351,651
	<u>\$ 12,892,263</u>	<u>\$ 10,581,848</u>

Ramapo College Foundation

Notes to Financial Statements
June 30, 2018 and 2017

6. Temporarily Restricted Net Assets *(continued)*

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

	<u>2018</u>	<u>2017</u>
Restricted as to purpose:		
Scholarships/academic enrichment	\$ 8,411,207	\$ 6,199,299
Capital projects	4,048,625	4,030,898
Environmental and science education outreach	<u>432,431</u>	<u>351,651</u>
	<u>\$ 12,892,263</u>	<u>\$ 10,581,848</u>

Total support payments to the College also included unrestricted funds in the amount of \$683,560. Total scholarships and awards available were approximately \$870,000 and \$735,000 at June 30, 2018 and 2017, 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>2018</u>	<u>2017</u>
Academics/student development	\$ 2,746,106	\$ 3,622,978
Scholarships	<u>10,045,621</u>	<u>8,830,967</u>
	<u>\$ 12,791,727</u>	<u>\$ 12,453,945</u>

8. Fundraising Events

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

	<u>2018</u>	<u>2017</u>
Fundraising revenue	\$ 531,593	\$ 483,839
Direct fundraising expenses	<u>(223,192)</u>	<u>(215,542)</u>
Fundraising Revenue, net	<u>\$ 308,401</u>	<u>\$ 268,297</u>

Ramapo College Foundation

Notes to Financial Statements
June 30, 2018 and 2017

9. Functional Expenses

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

	2018	2017
Programs	\$ 5,375,523	\$ 4,428,274
General and Administration	489,991	597,584
Fundraising	1,176,061	1,043,048
	\$ 7,041,575	\$ 6,068,906

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, 2018 and 2017 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:

	2018			Total
	Board Designated Unrestricted	Temporarily Restricted	Permanently Restricted	
Balance, July 1, 2017	\$ 876,177	\$ 5,282,775	\$ 11,948,116	\$ 18,107,068
Contributions, pledge collections and designations	384	210,625	587,248	798,257
Appropriated for expenditure	(37,860)	(799,273)	-	(837,133)
Net investment gain	75,309	1,513,128	-	1,588,437
Balance, June 30, 2018	\$ 914,010	\$ 6,207,255	\$ 12,535,364	\$ 19,656,629
Comprised of the following:				
Donor restricted funds	\$ -	\$ 6,207,255	\$ 12,535,364	\$ 18,742,619
Board designated funds	914,010	-	-	914,010
	\$ 914,010	\$ 6,207,255	\$ 12,535,364	\$ 19,656,629

Ramapo College Foundation

Notes to Financial Statements
June 30, 2018 and 2017

10. Endowment Funds *(continued)*

	2017			
	Board Designated Unrestricted	Temporarily Restricted	Permanently Restricted	Total
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	\$ 876,177	\$ 5,282,775	\$ 11,948,116	\$ 18,107,068
Comprised of the following:				
Donor restricted funds	\$ -	\$ 5,282,775	\$ 11,948,116	\$ 17,230,891
Board designated funds	876,177	-	-	876,177
	\$ 876,177	\$ 5,282,775	\$ 11,948,116	\$ 18,107,068

11. Transactions with College

The Foundation reimburses the College for certain expenditures including salaries and fringe benefits. These expenditures totaled \$4,623,340 and \$4,671,383 for the years ended June 30, 2018 and 2017. As described in footnote 13 the Foundation was relieved of a promise to pay Ramapo College of New Jersey in the amount of \$1,273,000 in 2018. Amounts due to the College as of June 30, 2018 and 2017 were \$349,325 and \$1,576,747.

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.

13. Subsequent Event

In December 2018 the Foundation received notification from a donor that a contribution promise made in 2011 in the amount of \$3,000,000 would not be possible to fulfill. The Foundation had previously established an allowance for doubtful promises reserve in 2016 and 2017 for the full amount of this contribution receivable when collection became uncertain. The financial statements for the Foundation as of June 30, 2018 have been adjusted for this subsequent event.

Ramapo College Foundation

Notes to Financial Statements
June 30, 2018 and 2017

13. Subsequent Event *(continued)*

The College had established a payable from the Foundation in the amount of \$1,273,000 which represented two years of the capital portion of the contribution. As a result of the donor notification, the Foundation and Ramapo College of New Jersey have determined that this amount will not be transferred to the College. The Foundation recorded revenue due to the release of this promise to pay in the June 30, 2018 Statement of Activities.

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