

Ramapo College Foundation Management's Discussion and Analysis June 30, 2020

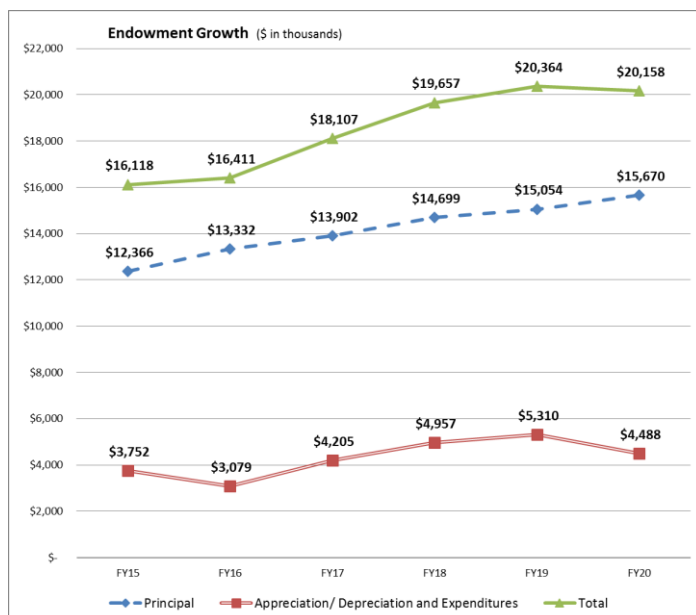
Foundation Overview

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, 2020, 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 and the endowment balance remained at over \$20.1 million at the end of fiscal 2020. This is a slight decline over the prior year pre pandemic balance of \$20.3 million



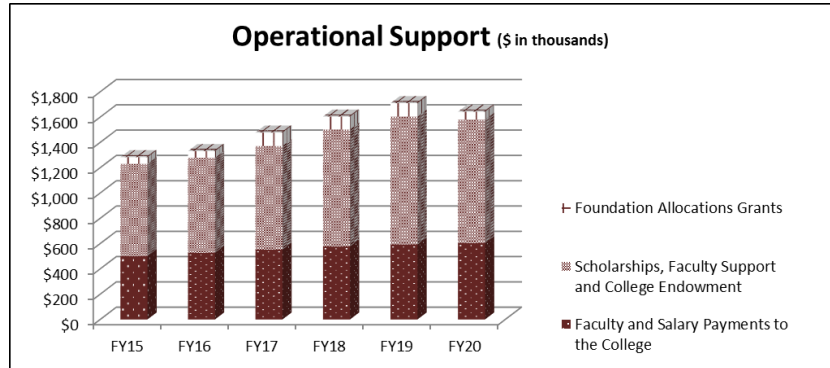
Over the last five years, there has been a 27% growth in principle and 25% growth in total value. In Fiscal 2020, the rate of return on endowment investments was 0.3%. In addition, \$897,027 of endowed funds were available to the College for scholarship and program support.

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 2020, 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 2020

statistics).

In Fiscal 2020, the Foundation awarded 526 scholarships valued at approximately \$682,000. This includes funding from the endowments as well as annual support from donors. In Fiscal 2019 there were 492 awards, valued at over \$710,000. The decrease in the dollar value of the awards is a result of a slightly lower average award per scholarship.

Fiscal 2020 operational support provided to the College was \$1.6 million vs \$1.7 million in Fiscal 2019. This is a decrease of 3.9% from the prior year. Due to Covid 19 travel restrictions, there were fewer allocation grants awarded. Also, there were fewer programs offered. 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 2020 and 2019 was \$4.9 million and \$1.4 million, respectively. Total support to the College in Fiscal 2020 for capital and operations exceeded \$6.5 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,		
	2020	2019	2018
Operating Support Revenue			
Donations	\$ 4,486	\$ 3,265	\$ 4,328
Contributed service revenue	1,438	1,363	1,532
Fund raising events, net	411	303	308
Grants	1,163	1,559	1,411
Special events/Membership/Program Services/Other	468	427	461
Investment income(loss)	125	1,316	1,644
Allowance for doubtful promise	-	(2,250)	-
Total Support and Revenue	8,091	5,983	9,684
Expenses			
Capital, salary and support payments to College	5,707	2,199	2,542
Contributed service expense	1,438	1,363	1,532
Foundation operations	180	171	160
Events & programs/Fundraising/Planned giving & capital campaign	614	765	800
Scholarships and awards/College grants awarded	860	943	854
Expenses for restricted grants	1,110	1,321	1,154
Total Expenses	9,909	6,762	7,042
Change in Net Assets	(1,818)	(779)	2,642
Release of Promise to Pay	-	-	1,273
	(1,818)	(779)	3,915
Net Assets			
Beginning of year	26,558	27,337	23,422
End of year	\$ 24,740	\$ 26,558	\$ 27,337

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 2020, the net assets of the Foundation decreased by \$1.8 million or

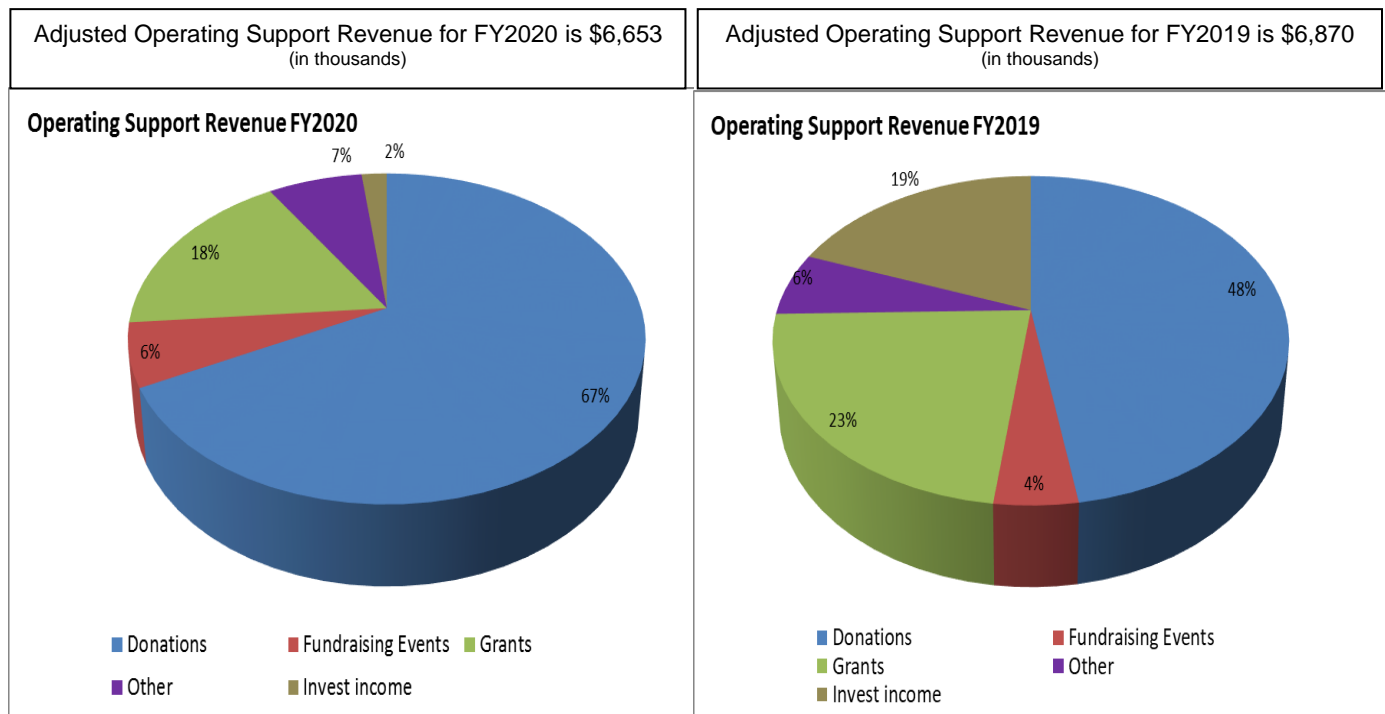
6.8%. This decrease was due primarily to an increase of \$3.5 million in capital support payments to the College less the impact of the \$2.2 million prior year adjustment for the loss of donor support that would not be fulfilled.

Total support and revenue for Fiscal Year 2020 was \$8.1 million, as compared to \$6 million in Fiscal Year 2019. As noted previously, in 2019 there was an adjustment of \$2.2 million for philanthropic support which would not be received. In 2020, there was an increase in capital gifts of \$1.2 million offset by a decrease in investment income.

Total Expenses for Fiscal Year 2020 was \$9.9 million, as compared to Fiscal Year 2019 of \$6.7 million. The change of \$3.2 million was the result of increased capital payments to Ramapo College.

In Fiscal Years 2020 and 2019, the Foundation recorded donated service revenue and expense relating to the affiliate support it receives from the College, of \$1.4 and \$1.3 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 3% in Fiscal 2020 as

compared to Fiscal 2019, and down 16% in Fiscal 2019, as compared to Fiscal 2018. The two year decrease of 19% vs Fiscal Year 2018 is primarily the result of a decrease in investment income.

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,		
	2020	2019	2018
Assets			
Cash and cash equivalents	\$ 437	\$ 589	\$ 720
Grants receivable/AR/ Prepaid expense	467	650	443
Unconditional promises to give, net	2,273	3,925	5,480
Investments	<u>22,128</u>	<u>22,130</u>	<u>21,540</u>
	<u>\$25,305</u>	<u>\$27,294</u>	<u>\$28,183</u>
Liabilities and Net Assets			
Liabilities			
AP/Due Ramapo College/Due to agency funds	312	448	468
Deferred income	68	80	161
Annuities payable	<u>185</u>	<u>208</u>	<u>217</u>
Total Liabilities	565	736	846
Net Assets			
Total Net Assets	<u>24,740</u>	<u>26,558</u>	<u>27,337</u>
	<u>\$25,305</u>	<u>\$27,294</u>	<u>\$28,183</u>

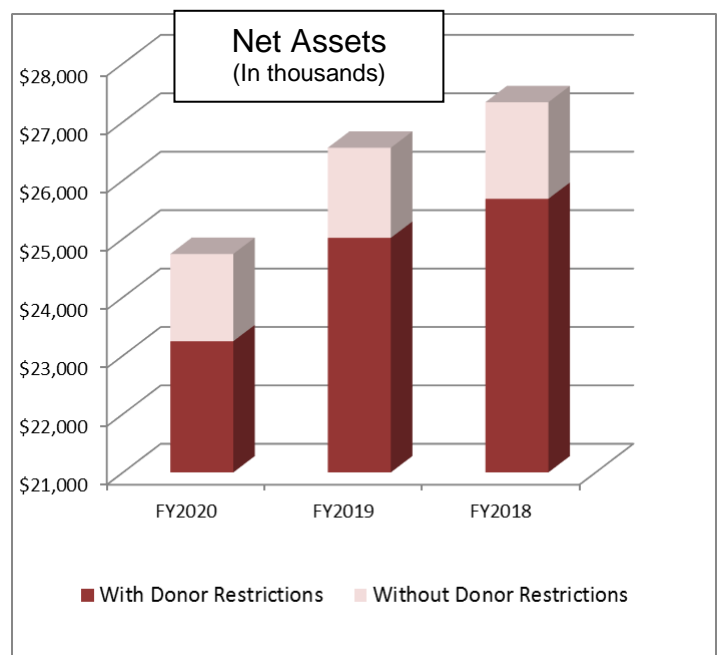
Trends should be reviewed over a number of years to see the impact on the net assets and the composition of the net assets year-over-year. In Fiscal Year 2020, assets decreased by approximately \$2 million and liabilities decreased by \$171,000 from 2019. The change in assets was predominantly caused by the decrease in unconditional promises to give (pledges). There were fewer new pledges in Fiscal 2020 and larger pledges were paid in full.

In Fiscal Year 2019, assets decreased by \$889,000 and liabilities

decreased by \$110,000 from 2018.

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 2020, total net assets of the Foundation decreased by \$1.8 million. This decrease was the result of an increase in capital payments to Ramapo College of New Jersey. Donations increased \$1.2 million which were offset by a decrease in investment and grant income.



In Fiscal 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.

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, 2020, 2019 and 2018. 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,		
	2020	2019	2018
(in thousands)			
Net cash (used in) provided by			
Operating activities	\$ (277)	\$ (1,220)	\$ 110
Investing activities	(284)	302	(1,765)
Permanently restricted contributions	409	787	338
Net increase (decrease) in cash and cash equivalents	(152)	(131)	(1,317)
Cash and cash equivalents beginning of year	589	720	2,036
Cash and Cash Equivalents, end of year	\$ 437	\$ 589	\$ 719

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 \$12 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.