



**THE COLLEGE OF NEW JERSEY FOUNDATION, INC.**  
(A Component Unit of The College of New Jersey)

Basic Financial Statements and  
Management's Discussion and Analysis

June 30, 2011 and 2010

(With Independent Auditors' Report Thereon)

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## *Independent Auditors' Report*

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The Board of Directors  
The College of New Jersey Foundation, Inc.:

We have audited the accompanying basic financial statements of The College of New Jersey Foundation, Inc. (the Foundation), a component unit of The College of New Jersey, as of and for the years ended June 30, 2011 and 2010, as listed in the table of contents. These financial statements are the responsibility of the Foundation's management. 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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The College of New Jersey Foundation, Inc. as of June 30, 2011 and 2010, and the changes in its financial position and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis on pages 2 through 9 is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

**KPMG LLP**

October 21, 2011

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*The College of New Jersey Foundation, Inc.*  
*A Component Unit of the College of New Jersey*

## **Overview of Financial Statements and Financial Analysis**

The following management's discussion and analysis (MD&A) provides an overview of The College of New Jersey Foundation, Inc. (the Foundation) financial performance during the fiscal years ended June 30, 2011 and 2010, based on currently known facts and conditions; and is designed to assist readers in understanding the accompanying financial statements. The MD&A, financial statements and notes are the responsibility of the Foundation's management. Since the MD&A is designed to focus on current activities, resulting change, and currently known facts, it should be read in conjunction with the Foundation's financial statements and the related footnote disclosures.

## **Using the Financial Statements**

The Foundation's financial report includes three financial statements, the Statement of Net Assets, the Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows. These financial statements are prepared in accordance with U.S. generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board (GASB). The financial statements presented focus on the financial position of the Foundation, the changes in financial position, and cash flows of the Foundation as a whole.

## **Fiscal Years 2011 and 2010 Investments Highlights**

The Foundation's investment portfolio performed positively for the fiscal year ended June 30, 2011, with average returns of 18.5% for the endowment pool and 22.0% for the more conservatively invested gift annuity pool. These returns improved upon the solid performance experienced in the previous fiscal year. For fiscal year 2010, the investment portfolio yielded an average return of 10.4% before investment manager fees matching the investment advisor benchmark style index of 10.4%. This was an improvement over the performance experienced in the previous fiscal year.

## **Statement of Net Assets**

The Statement of Net Assets presents the financial position of the Foundation as of the end of the fiscal year. The purpose of the Statement of Net Assets is to present to the readers of the financial statements a fiscal snapshot of the Foundation. Assets that the Foundation owns are primarily measured at fair value. Assets are categorized as either current or noncurrent. Liabilities are what the Foundation owes to others and are also categorized as either current or noncurrent.

The Foundation's net assets are divided into three major categories: restricted-nonexpendable, restricted-expendable and unrestricted. Restricted expendable are available to the Foundation but must be used for purposes as determined by donors and/or external entities. Restricted nonexpendable net assets represent the endowed gifts which donors required to be invested in perpetuity. Finally, unrestricted net assets include amounts without external constraint as to use that are internally designated or committed to support specific academic and research programs and unrestricted funds functioning as endowments.

# Management's Discussion and Analysis

June 30, 2011 and 2010

The following table shows a condensed statement of net assets as of June 30, 2011, 2010, and 2009:

<b>Condensed Statement of Assets, Liabilities and Net Assets</b>			
	<b>2011</b>	<b>2010</b>	<b>2009</b>
<b>Assets:</b>			
Current assets	\$ 3,042,053	3,412,543	3,258,529
Noncurrent assets	21,264,727	17,128,718	14,641,295
<b>Total assets</b>	<b>24,306,780</b>	<b>20,541,261</b>	<b>17,899,824</b>
<b>Liabilities:</b>			
Current liabilities	373,263	371,890	371,205
Noncurrent liabilities	2,411,179	2,362,043	3,021,898
<b>Total liabilities</b>	<b>2,784,442</b>	<b>2,733,933</b>	<b>3,393,103</b>
<b>Net assets:</b>			
Restricted – nonexpendable	6,896,497	6,666,964	6,138,304
Restricted – expendable	11,042,855	8,023,965	5,570,933
Unrestricted	3,582,986	3,116,399	2,797,484
<b>Total net assets</b>	<b>\$ 21,522,338</b>	<b>17,807,328</b>	<b>14,506,721</b>

## Cash and Investment Pools

The Foundation utilizes a pooled investment concept whereby contributions are included in various investment pools, except for investments of certain gifts that are otherwise restricted by donors. As of June 30, 2011, cash and investments held by the Foundation was \$24.3 million, up from \$20.3 million at the previous year end.

These assets are allocated among various investment pools as shown below:

<b>Cash and Investment Pools</b>				
<b>Pool</b>	<b>Type of Funds</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Cash and cash equivalents	Working capital to support operating activities	\$ 678,668	1,791,225	1,673,411
Endowment pool	Contributions to establish endowment funds	17,499,380	14,446,577	12,123,956
Gift annuities and trusts	Gifts managed independently of endowment pool	6,078,031	4,097,528	3,966,592
	<b>Total</b>	<b>\$ 24,256,079</b>	<b>20,335,330</b>	<b>17,763,959</b>

June 30, 2011 and 2010

The Foundation's working capital is invested primarily with the New Jersey State Cash Management Fund to support operating activities. The balance fluctuates during the course of the year based on the Foundation's cash flow cycle of receipts and disbursements.

The endowment pool invests endowed gifts from donors and is managed with a philosophy of diversifying the investments across asset classes and investment managers to maximize long term performance, reduce volatility, and control risks. The endowment assets are invested with the confidence that economic cycles will rise and fall but that a diversified portfolio will provide the long-term growth necessary to preserve the value of the endowments over the long term.

The Foundation also holds assets given by donors in the form of trusts and gift annuities. These assets are invested and managed separately from the endowment pool in accordance with the donor's instructions.

### **Cash and Cash Equivalents**

During fiscal year 2011, the Foundation's cash and cash equivalents decreased by \$1.1 million due primarily to the investment of excess cash balances, funding for scholarships and other operating expenses, plus transfers of donor directed and restricted funds to the College. This was offset by the successful fund-raising campaign resulting in cash receipts from contributions and private grants of \$2.3 million.

During fiscal year 2010, the Foundation's cash and cash equivalents increased by \$118 thousand due primarily to a successful fund-raising campaign. The \$2.7 million in cash receipts from contributions and private grants were offset by transfers of \$1.3 million to investment managers, scholarships and other operating expenses of \$587 thousand plus donor directed and restricted funds transfers to the College of over \$1.0 million.

### **Investment Portfolio**

In managing the endowment portfolio, one of the most important strategies is to determine the appropriate allocation of investments among the various asset classes. The investment committee has taken numerous actions in the portfolio over the years in an attempt to diversify the investments across asset classes, to temper market volatility, and to control risks. The Foundation retained an independent investment advisor to assist the investment committee in developing its asset allocation strategy.

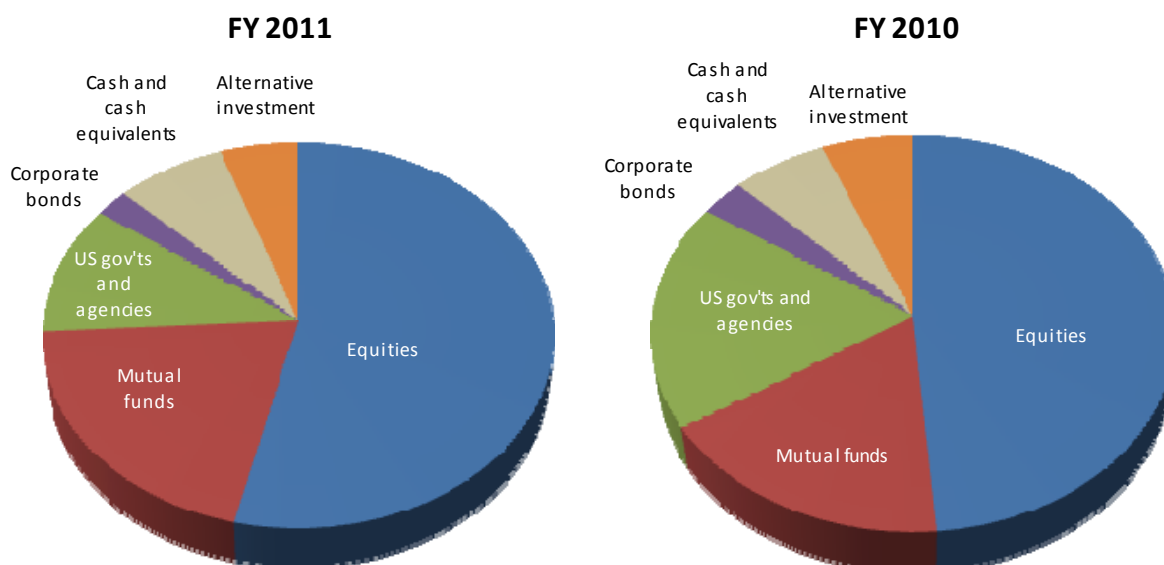
In fiscal year 2011, investments increased by approximately \$5.0 million. The increases were attributed to the recording of a \$1.3 million trust of which the Foundation is the sole beneficiary, transfers of \$672 thousand in excess cash to investment managers, along with investment gains and income totaling \$3.6 million offset by \$172 thousand in investment manager fees. This was offset by \$362 thousand in disbursements of contractual payments to gift annuitants. For fiscal year 2011, the endowment pool earned a rate of return of 18.5% and the gift annuity pool earned 22.0% compared to the investment advisor benchmark style index of 17.2% and 21.4%, respectively.

# Management's Discussion and Analysis

June 30, 2011 and 2010

In fiscal year 2010, investments increased by \$2.5 million. This was the result of transfers of \$1.3 million in excess cash to investment managers. The growth was also driven by investment gains plus investment income totaling \$1.7 million. This was offset by disbursements totaling \$359 thousand of contractual payments to gift annuitants offset by \$165 thousand in investment manager fees. For fiscal year 2010, the investment portfolio earned a rate of return of 10.4%, which was an improvement over the previous fiscal year's loss of 6.9%. The investment portfolio matched the investment advisor benchmark style index that had a 10.4% rate of return for fiscal year 2010.

As of June 30, 2011, investments held by the Foundation exceeded \$23.6 million, up from \$18.5 million from the previous fiscal year. The portfolio was allocated among various asset classes as shown below:



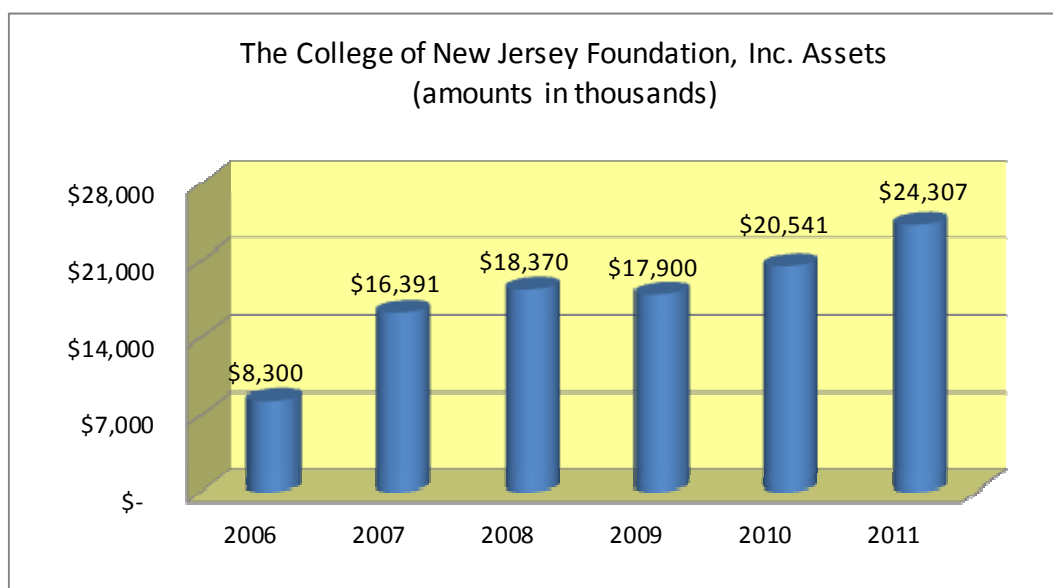
<u>Asset Allocation</u>	<u>FY11</u>	<u>FY11</u>	<u>FY10</u>	<u>FY10</u>
	<u>Balance</u>	<u>Percentage</u>	<u>Balance</u>	<u>Percentage</u>
Equities	\$ 12,657,383	53.7%	\$ 9,028,281	48.7%
Mutual funds	4,814,842	20.4%	3,189,905	17.2%
US gov'ts and agencies	2,538,433	10.8%	3,421,554	18.5%
Corporate bonds	541,925	2.3%	565,764	3.1%
Cash and cash equivalents	1,774,035	7.5%	1,194,808	6.4%
Alternative investment	1,250,793	5.3%	1,143,793	6.1%
Total Investments	\$ <u>23,577,411</u>	<u>100.0%</u>	\$ <u>18,544,105</u>	<u>100.0%</u>

June 30, 2011 and 2010

**Growth of the Foundation's Assets**

The chart below illustrates the growth of the Foundation's assets over the past years, which resulted from annual fundraising campaigns coupled with investment appreciation. As of June 30, 2011, the Foundation's assets, which consist primarily of cash and investments, totaled \$24.3 million.

The chart below illustrates the growth of the Foundation's assets over the last six fiscal years.



**Liabilities**

In fiscal year 2011 total liabilities remained stable while in fiscal year 2010, total liabilities decreased by \$659 thousand due to the adjustments of the actuarial present value of the gift annuities.

**Working Capital**

The working capital is a key metric used to measure the Foundation's liquidity for operation. The excess of current assets over current liabilities reflects the continuing ability of the Foundation to satisfy its short-term obligations as they come due. As of June 30, 2011 and 2010, the current liabilities were \$373 thousand and \$372 thousand, respectively. The Foundation's current assets of \$3.0 million and \$3.4 million as of June 30, 2011 and 2010, respectively were indicators that the Foundation had adequate liquidity to satisfy its current obligations.



**Net Assets**

The change in net assets — the difference between total assets and total liabilities — is one indicator of whether the overall financial condition of the Foundation has improved or worsened during the fiscal year. During fiscal years 2011 and 2010, net assets increased by \$3.7 million or 20.9% and \$3.3 million or 22.8%, respectively. In both years, the increases were directly related to the positive performance of the investment portfolio and successful fundraising campaigns.

**Nonexpendable Net Assets**

During fiscal years 2011 and 2010, nonexpendable net assets increased by \$230 thousand or 3.4% and \$529 thousand or 8.6%, respectively. These increases were mainly due to endowed gifts received during those years that were designated by donors to be invested in perpetuity.

**Expendable Net Assets**

In both fiscal years 2011 and 2010, expendable net assets had significant increases of approximately \$3.0 million or 37.6% and \$2.5 million or 44.0%, respectively. The increases were primarily due to the receipt of gifts that were designated as expendable coupled with the investment gains and dividend income.

**Unrestricted Net Assets**

In fiscal years 2011 and 2010, the unrestricted net assets increases of \$467 thousand or 15.0% and \$319 thousand or 11.4% respectively, were primarily due to the receipts of more unrestricted gifts versus the operating expenses that were incurred.

**Statement of Revenues, Expenses, and Changes in Net Assets**

The Statement of Revenues, Expenses, and Changes in Net Assets present the revenues earned and the expenses incurred by the Foundation during the fiscal year. Activities are reported as either operating or nonoperating. Generally speaking, operating revenues are received from expendable contributions and operating expenses are incurred in the normal operation of the Foundation.

## *Management's Discussion and Analysis*

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June 30, 2011 and 2010

The following table shows a condensed statement of revenues, expenses, and changes in net assets for the years ended June 30, 2011, 2010, and 2009:

<b>Condensed Statement of Revenues, Expenses and Changes in Net Assets</b>			
	<b>2011</b>	<b>2010</b>	<b>2009</b>
Operating revenues	\$ 3,841,004	2,846,904	2,643,938
Operating expenses	568,577	587,143	784,633
Operating income	3,272,427	2,259,761	1,859,305
Nonoperating and other revenues (expenses), net	442,583	1,040,846	(2,291,911)
Increase (decrease) in net assets	3,715,010	3,300,607	(432,606)
Net assets, beginning of year	17,807,328	14,506,721	14,939,327
Net assets, end of year	\$ 21,522,338	17,807,328	14,506,721

### **Operating Revenues**

The Foundation's main source of revenue is contributions and private grants. Unrestricted and expendable contributions and private grants are reported as operating revenues. In both fiscal years 2011 and 2010, the increases of \$994 thousand and \$203 thousand, respectively, were primarily due to successful fundraising campaigns that resulted in the receipt of a number of contributions and private grants which were designated by donors as expendable.

### **Operating Expenses**

Operating expenses include scholarships and awards and fundraising events expense. Operating expenses remained relatively stable in fiscal year 2011 compared to the previous fiscal year. In fiscal year 2010, scholarships and awards to The College of New Jersey students decreased by \$178 thousand or 27.4% due to disbursements of donor directed scholarships in the previous fiscal year.

**Nonoperating and Other Revenues (Expenses), net**

In fiscal year 2011, nonoperating revenues, net totaled \$213 thousand. Of this amount, nonoperating expenses of \$2.8 million represent disbursements of restricted private grants that were earmarked for the College. The remaining balance was comprised of investment income totaling \$3.4 million and an increase to the actuarial liability of \$420 thousand for annuities payable. Other revenues included additions to permanent endowments of \$230 thousand that represent gifts to be held in perpetuity.

In fiscal year 2010, nonoperating revenues, net totaled \$627 thousand. Of this amount, nonoperating expenses of \$1.2 million represent disbursements of restricted private grants that were earmarked for the College. The remaining balance was comprised of investment income totaling \$1.5 million and a decrease to the actuarial liability of \$294 thousand for annuities payable. Other revenues included additions to permanent endowments of \$414 thousand that represent gifts to be held in perpetuity.

# STATEMENTS OF NET ASSETS

June 30, 2011 and 2010

<b>Assets</b>	<b>2011</b>	<b>2010</b>
Current assets:		
Cash and cash equivalents (note 3)	\$ 636,898	1,787,775
Restricted cash and cash equivalents (note 3)	41,770	3,450
Investments (note 4)	2,321,183	1,125,053
Restricted investments (note 4)	—	380,470
Miscellaneous receivables	42,202	115,795
Total current assets	3,042,053	3,412,543
Noncurrent assets:		
Investments (note 4)	536,210	—
Restricted investments (note 4)	20,720,017	17,038,582
Other assets	8,500	90,136
Total noncurrent assets	21,264,727	17,128,718
Total assets	24,306,780	20,541,261
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	3,777	5,810
Annuities payable (note 6)	369,486	366,080
Total current liabilities	373,263	371,890
Noncurrent liabilities:		
Annuities payable (note 6)	2,411,179	2,362,043
Total noncurrent liabilities	2,411,179	2,362,043
Total liabilities	2,784,442	2,733,933
<b>Net Assets</b>		
Restricted:		
Nonexpendable:		
Scholarships	5,545,883	5,322,416
Other programs	1,350,614	1,344,548
Expendable:		
Scholarships	7,551,781	4,189,279
Research	160,680	141,882
Other	3,330,394	3,692,804
Unrestricted	3,582,986	3,116,399
Total net assets	\$ 21,522,338	17,807,328

See accompanying notes to financial statements.  
The College of New Jersey Foundation, Inc.  
A Component Unit of the College of New Jersey

# STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Years ended June 30, 2011 and 2010

	2011	2010
Operating revenues:		
Contributions	\$ 3,095,431	1,549,976
Private grants	745,573	1,296,928
Total operating revenues	3,841,004	2,846,904
Operating expenses:		
Scholarships and awards	496,104	471,334
Fundraising events	5,666	35,450
Program services	66,807	80,359
Total operating expenses	568,577	587,143
Operating income	3,272,427	2,259,761
Nonoperating revenues (expenses):		
Investment income	3,438,342	1,529,100
Scholarships and restricted funds contributed to The College of New Jersey and Affiliates (note 5)	(2,805,648)	(1,195,932)
Adjustment to actuarial liability for annuities payable	(419,644)	293,502
Nonoperating revenues	213,050	626,670
Income before other revenues	3,485,477	2,886,431
Additions to permanent endowments	229,533	414,176
Increase in net assets	3,715,010	3,300,607
Net assets as of beginning of year	17,807,328	14,506,721
Net assets as of end of year	\$ 21,522,338	17,807,328

See accompanying notes to financial statements.

# STATEMENTS OF CASH FLOWS

Years ended June 30, 2011 and 2010

	2011	2010
Cash flows from operating activities:		
Contributions and private grants	\$ 2,528,260	2,713,049
Scholarships and awards	(496,104)	(471,334)
Fundraising events	(5,666)	(35,450)
Program services	(66,065)	(80,420)
Net cash provided by operating activities	1,960,425	2,125,845
Cash flows from noncapital financing activities:		
Additions to permanent endowments	229,533	414,176
Scholarships and restricted funds contributed to The College of New Jersey and Affiliates	(2,805,648)	(1,137,432)
Payments to annuitants	(362,260)	(358,842)
Net cash used by noncapital financing activities	(2,938,375)	(1,082,098)
Cash flows from investing activities:		
Interest income	382,134	412,071
Purchases of securities	(12,645,853)	(10,160,145)
Proceeds from sales of securities	12,129,112	8,822,141
Net cash used by investing activities	(134,607)	(925,933)
Net (decrease) increase in cash and cash equivalents	(1,112,557)	117,814
Cash and cash equivalents as of beginning of year	1,791,225	1,673,411
Cash and cash equivalents as of end of year	\$ 678,668	1,791,225
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 3,272,427	2,259,761
Noncash transaction	(1,312,744)	(66,843)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Miscellaneous receivables/payables	2,374	(59,573)
Accounts payable	(1,632)	(7,500)
Net cash provided by operating activities	\$ 1,960,425	2,125,845
Noncash transaction:		
Contributions of investments, donated artwork and equipment	\$ 1,312,744	66,843

See accompanying notes to financial statements.

**(1) Organization**

The College of New Jersey Foundation, Inc. (the Foundation) is a not-for-profit organization exempt from income tax under Internal Revenue Service Code 501(c)(3). The Foundation's objective is to obtain private funding to enhance the educational goals of The College of New Jersey (the College). The Foundation's assets are used exclusively for the benefit, support and promotion of the College and its educational activities. The Foundation is considered a component unit of the College and is discretely presented in the College's financial statements.

**(2) Summary of Significant Accounting Policies**

**(a) Basis of Presentation**

The accounting policies of the Foundation conform to U.S. generally accepted accounting principles. The Foundation financial statements are based on all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Review Board of the Committee on Accounting Procedure issued solely on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Net assets are classified into the following categories:

- **Restricted:**

*Nonexpendable:* Net assets subject to externally imposed stipulations that must be maintained permanently by the Foundation.

*Expendable:* Net assets whose use is subjected to externally imposed stipulations that can be fulfilled by actions of the Foundation pursuant to the stipulations or that expire by the passage of time.

- **Unrestricted:**

Net assets that are not subject to externally imposed stipulations and may be designated for specific purposes by action of the board of directors.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the Foundation's policy is to first apply the expense towards restricted resources and then towards unrestricted resources.

**(b) Measurement Focus and Basis of Accounting**

The accompanying financial statements of the Foundation have been prepared on the accrual basis of accounting using the economic resources measurement focus.

June 30, 2011 and 2010

**(c) Cash and Cash Equivalents**

Cash and cash equivalents consist of investments with the New Jersey State Cash Management Fund and Wachovia Bank. The New Jersey State Cash Management Fund is combined into a large-scale investment program with amounts contributed by other state entities. These investments consist primarily of U.S. Treasury issues, commercial paper and certificates of deposit. Cash and cash equivalents consist of cash on hand and all highly liquid investments purchased with an original maturity of three months or less, except for those managed as a component of the Foundation's investment portfolio.

**(d) Investments**

Investments are reflected at fair value, which is based on quoted market prices. Alternative investments are valued using current estimates of fair value obtained from the investment manager in the absence of readily determinable public market values. The estimated fair value of these investments is based on the most recent valuations provided by external investment managers. Because alternative investments are not readily marketable, their estimated value is subject to uncertainty and therefore may differ from the value that would have been used had a ready market for such investments existed. Such difference could be material. Purchases and sales of investments are accounted for on the trade-date basis. Investment income is recorded on an accrual basis.

**(e) Contributions**

Contributions, including pledges other than endowments, are recognized when all eligibility requirements for recognition are met, which generally is the period the amount is donated to the Foundation. Pledges related to permanent endowments and term endowments do not meet the eligibility requirements for recognition criteria of GASB Statement No. 33 until cash is received. These pledges, which were \$882,963 and \$453,684 as of June 30, 2011 and 2010, respectively, have not been included in the accompanying statements of net assets and are recorded as additions to permanent endowments upon meeting the eligibility requirements for recognition.

**(f) Classification of Operations**

The Foundation's policy for defining operating activities as reported on the statements of revenues, expenses, and changes in net assets are those that serve the Foundation's principal purpose. Operating activities generally result from contributions received, payments made for scholarships and awards, and expenses associated with fundraising events. Nonoperating revenues include activities such as investment income. Nonoperating expenses include distributions to the College and the adjustment to the annuities payable.

**(g) Donor Restricted Endowments**

The Foundation manages, invests and administers the donor restricted endowment funds in accordance with the Uniform Prudent Management of Institutional Funds Act. Endowment investments are subject to the restriction of gift instruments requiring that the principal be invested in perpetuity and the income be utilized in accordance with the terms of each specific gift. It is the



June 30, 2011 and 2010

Foundation's policy to account for endowment appreciation in accordance with donor specification. Appreciation on donor restricted endowments is included in the restricted expendable net assets in the accompanying financial statements. The Board of Trustees of the Foundation authorizes an amount of appropriation and expenditure of the funds each fiscal year in accordance with donor specifications and the Act.

**(h) Annuities Payable**

Annuities payable are created when assets are contributed to the Foundation on condition that the Foundation obligate itself to pay stipulated amounts periodically to designated annuitants. Annuities payable are recorded at the present value of the expected future cash payments to the annuitants. Changes in the life expectancy of the donor or annuitant, amortization of the discount and other changes in the estimates of future payments are reported as an adjustment to actuarial liability for annuities payable in the accompanying statements of revenues, expenses, and changes in net assets.

**(i) Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 reported period. Actual results could differ from those estimates.

**(3) Cash and Cash Equivalents**

The carrying amount of cash as of June 30, 2011 and 2010 was \$307,307 and \$204,770, respectively, while the amount on deposit with a bank was \$309,149 and \$204,394, respectively.

Custodial credit risk associated with the Foundation's cash and cash equivalents includes uncollateralized deposits, including any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Foundation's name. The Foundation's bank deposits as of June 30, 2011 and 2010 were insured by Federal Depository Insurance up to \$250,000. Bank balances in 2011 of \$59,149 was uninsured and uncollateralized.

The Foundation participates in the State of New Jersey Cash Management Fund wherein amounts also contributed by other State entities are combined into a large scale investment program. The carrying amount and fair value as of June 30, 2011 and 2010 were \$371,361 and \$1,586,455, respectively.

The operations of the Cash Management Fund are governed by the provisions of the State Investment Council Regulations for the purpose of determining authorized investments. Statutes of the State of New Jersey and Regulations of the State Investment Council authorize the New Jersey Division of Investment to invest in obligations of the U.S. Treasury, agencies, and municipal or political subdivisions of the State, commercial paper, bankers acceptances, revenue obligations of public authorities, debt instruments of banks, collateralized notes, and mortgages, certificates of deposit, repurchase agreements, equity, and convertible equity securities, and other common types of investment securities. Investee institutions and organizations are prescribed by the statutes and regulations based on such criteria as minimum capital,

June 30, 2011 and 2010

dividend paying history, credit history, and other evaluation factors. The Cash Management Fund is unrated.

**(4) Investments**

The Foundation has an investment policy, which establishes guidelines for permissible investments. The primary investment objective is to preserve and increase the value of endowment funds and maximize the long-term total rate of return on all invested assets while assuming a level of risk consistent with prudent investment practices for such funds. The Foundation may invest in obligations of the U.S. Government, certificates of deposit, money market funds, equities and stock funds, bonds and bond funds, and alternative investments. Investments consist of the following as of June 30, 2011 and 2010:

<b>Investments</b>		
	<b>2011</b>	<b>2010</b>
Cash and cash equivalents	\$ 1,774,035	1,194,808
U.S. Treasury bills and notes and Government agencies	2,538,433	3,421,554
Corporate bonds	541,925	565,764
Equities	12,657,383	9,028,281
Mutual funds	4,814,842	3,189,905
Alternative investment	1,250,793	1,143,793
Total	\$ <u>23,577,411</u>	<u>18,544,105</u>

The Foundation's investments are subject to various risks. Among these risks are credit risk and interest rate risk. Each one of these risks is discussed in more detail below.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The credit risk of a debt instrument is measured by nationally recognized statistical rating agencies such as Moody's Investors Service, Inc. (Moody's).

June 30, 2011 and 2010

As of June 30, 2011, the Foundation's fixed income investments, which consist of U.S. Treasury bills and notes, U.S. Government agencies, and corporate bonds, were rated as follows:

<b>Fixed Income Investments Ratings 2011</b>					
<b>Rating</b>		<b>Total</b>	<b>U.S. Treasury bills and notes</b>	<b>U.S. Government agencies</b>	<b>Corporate bonds</b>
Aaa	\$	2,547,803	1,204,341	1,334,092	9,370
Aa1		9,705	—	—	9,705
Aa2		79,172	—	—	79,172
Aa3		99,954	—	—	99,954
A1		82,313	—	—	82,313
A2		51,314	—	—	51,314
A3		37,012	—	—	37,012
Baa1		89,145	—	—	89,145
Baa2		67,528	—	—	67,528
Baa3		10,544	—	—	10,544
B2		5,868	—	—	5,868
<b>Total</b>	<b>\$</b>	<b>3,080,358</b>	<b>1,204,341</b>	<b>1,334,092</b>	<b>541,925</b>

June 30, 2011 and 2010

As of June 30, 2010, the Foundation's fixed income investments, which consist of U.S. Treasury bills and notes, U.S. Government agencies, and corporate bonds, were rated as follows:

<b>Fixed Income Investments Ratings 2010</b>					
<b>Rating</b>		<b>Total</b>	<b>U.S. Treasury bills and notes</b>	<b>U.S. Government agencies</b>	<b>Corporate bonds</b>
Aaa	\$	3,472,146	1,852,875	1,568,679	50,592
Aa1		19,297	—	—	19,297
Aa2		9,105	—	—	9,105
Aa3		56,679	—	—	56,679
A1		92,055	—	—	92,055
A2		61,863	—	—	61,863
A3		78,986	—	—	78,986
Baa1		91,071	—	—	91,071
Baa2		99,646	—	—	99,646
B3		6,470	—	—	6,470
<b>Total</b>	<b>\$</b>	<b>3,987,318</b>	<b>1,852,875</b>	<b>1,568,679</b>	<b>565,764</b>

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of a debt investment. The Foundation's investment policy provides limitations in the maturities of various types of investments. As of June 30, 2011, the Foundation's fixed income investments, which consist of U.S. Treasury bills and notes, U.S. Government agencies, and corporate bonds, had maturity dates as follows:

<b>Fixed Income Investments Maturity 2011</b>					
<b>Maturing in years</b>		<b>Total</b>	<b>U.S. Treasury bills and notes</b>	<b>U.S. Government agencies</b>	<b>Corporate bonds</b>
Less than 1	\$	547,147	426,592	21,856	98,699
1 – 5		815,328	439,000	135,333	240,995
6 – 10		368,496	212,430	—	156,066
Greater than 10		1,349,387	126,319	1,176,903	46,165
<b>Total</b>	<b>\$</b>	<b>3,080,358</b>	<b>1,204,341</b>	<b>1,334,092</b>	<b>541,925</b>

As of June 30, 2010, the Foundation's fixed income investments, which consist of U.S. Treasury bills and notes, U.S. Government agencies, and corporate bonds, had maturity dates as follows:

<b>Fixed Income Investments Maturity 2010</b>					
<b>Maturing in years</b>		<b>Total</b>	<b>U.S. Treasury bills and notes</b>	<b>U.S. Government agencies</b>	<b>Corporate bonds</b>
Less than 1	\$	310,729	264,798	—	45,931
1 – 5		1,875,294	1,264,716	347,232	263,346
6 – 10		431,457	241,560	—	189,897
Greater than 10		1,369,838	81,801	1,221,447	66,590
Total	\$	<u>3,987,318</u>	<u>1,852,875</u>	<u>1,568,679</u>	<u>565,764</u>

**(5) Transactions with Affiliates**

The Foundation approved disbursements to the College and Alumni Association for support of scholarships, restricted private grants, and donated capital assets of \$2,805,648 and \$1,195,932 during 2011 and 2010, respectively. The College provides certain administrative functions on behalf of the Foundation. The costs were not charged to the Foundation in 2011 and 2010. The following table shows the contributions for 2011 and 2010:

<b>Transactions with Affiliates</b>			
		<b>2011</b>	<b>2010</b>
Scholarship support	\$	214,947	15,511
Restricted funds – Alumni Association		193,765	—
Restricted funds – College		2,396,936	1,180,421
Total scholarships	\$	<u>2,805,648</u>	<u>1,195,932</u>

**(6) Noncurrent Liabilities**

For the years ended June 30, 2011 and 2010, noncurrent liabilities activity was as follows:

<b>Noncurrent Liabilities Activity</b>					
<b>2011</b>	<b>Beginning balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending balance</b>	<b>Current portion</b>
Noncurrent liabilities:					
Annuities payable	\$ 2,728,123	240,000	187,458	2,780,665	369,486
Total noncurrent liabilities	\$ 2,728,123	240,000	187,458	2,780,665	369,486
<b>2010</b>	<b>Beginning balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending balance</b>	<b>Current portion</b>
Noncurrent liabilities:					
Annuities payable	\$ 3,385,418	40,000	697,295	2,728,123	366,080
Total noncurrent liabilities	\$ 3,385,418	40,000	697,295	2,728,123	366,080