



**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, 2014 and 2013

(With Independent Auditors' Report Thereon)

## *Table of Contents*

---

	<b>Page</b>
Independent Auditors' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Statements of Net Position as of June 30, 2014 and 2013	11
Statements of Revenues, Expenses and Changes in Net Position for the years ended June 30, 2014 and 2013	12
Statements of Cash Flows for the years ended June 30, 2014 and 2013	13
Notes to the Financial Statements	14



KPMG LLP  
New Jersey Headquarters  
51 John F. Kennedy Parkway  
Short Hills, NJ 07078-2702

## *Independent Auditors' Report*

---

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of The College of New Jersey Foundation (the Foundation), a component unit of The College of New Jersey, as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; 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 from 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 the Foundation as of June 30, 2014 and 2013, and the changes in its financial position and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

---

THE COLLEGE OF NEW JERSEY FOUNDATION, INC.  
A COMPONENT UNIT OF THE COLLEGE OF NEW JERSEY

1



## *Independent Auditors' Report*

---

### ***Other Matters***

#### *Required Supplementary Information*

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**KPMG LLP**

October 16, 2014

## **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, 2014 and 2013, 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 position, the statement of revenues, expenses and changes in net position, 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 2014 and 2013 Investments Highlights**

The Foundation's investment portfolios produced positive results for the fiscal year ended June 30, 2014. The endowment pool posted a positive rate of return of 13.72% net of investment manager fees, an improvement over the previous year's performance of 9.34%. Meanwhile, the gift annuity pool produced a return of 16.88% after earning 10.64% percent in the previous year.

The Foundation's investment portfolio performed well for the fiscal year ended June 30, 2013, with a positive rate of return of 9.34% net of investment manager fees for the endowment pool and 10.64% for the more conservatively invested gift annuity pool. These returns were an improvement compared to the performance experienced in the previous fiscal year.

As of June 30, 2014, total investments held by the Foundation approached \$31.6 million, up from \$26.4 million at the previous year end. This increase is attributable to investment performance and sustained giving levels by generous donors.

The Foundation's investment committee provides governance oversight to both the endowment and non-endowment pools. The non-endowment pool includes 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 donors' instructions.

## **Fundraising Highlights for Fiscal Year 2014**

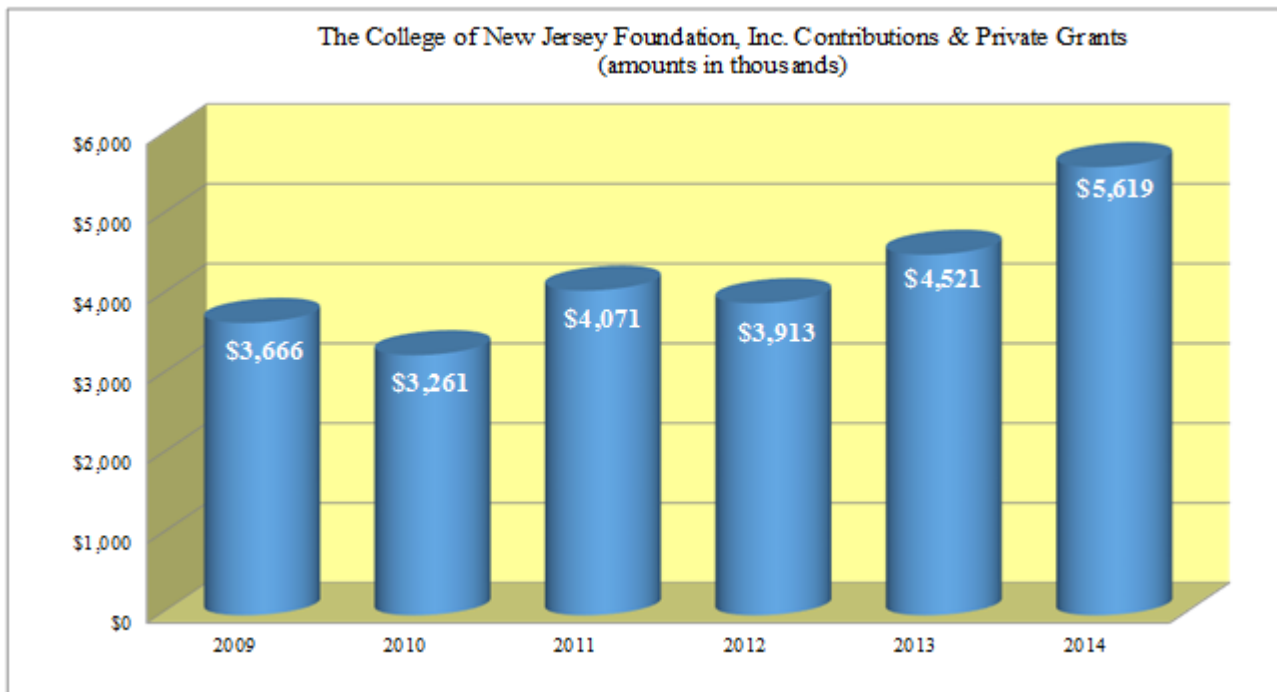
During fiscal year 2014, the Foundation's fundraising activities yielded \$5.6 million against a goal of \$5.5 million. This compares very favorably to fiscal year 2013 when the Foundation raised a total of \$4.5 million. Of the total raised in fiscal year 2014, approximately \$1.6 million was added to the permanent endowment. A few highlights from the contributions received this past year include:

# Management's Discussion and Analysis

JUNE 30, 2014 AND 2013

- A contribution of \$1.0 million was received and designated as permanent endowment to support an endowed faculty professorship in faculty-student engagement.
- An additional gift of \$100,000 was added to the permanent endowment fund to support the performing arts program in the School of the Arts and Communication.
- A contribution of \$158,000 was added to the School of Nursing, Health and Exercise Science Scholarship Endowment Fund for baccalaureate nursing students.
- Additional gifts totaling \$182,000 were added to the permanent endowment fund to support expenses in connection with entrepreneurial scholarly endeavors for students in the School of Business.
- A bequest in the amount of \$180,000 was received primarily for the purchase of reference materials for the library in the amount of \$171,000 and the remainder to support the college's general scholarship fund.
- A gift of \$112,000 was received to create a permanent endowment to fund sabbatical prizes for faculty.

Alumni and friends continue to show their support for The College of New Jersey through generous gifts and advocacy. Their financial contribution provides student scholarships, learning opportunities, program enhancements, and more. The graph below illustrates the fundraising results over the past six years:



# Management's Discussion and Analysis

JUNE 30, 2014 AND 2013

## Statement of Net Position

The statement of net position presents the financial position of the Foundation as of the end of the fiscal year. The purpose of the statement of net position 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 position is 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 position represents the endowed gifts which donors required to be invested in perpetuity. Finally, unrestricted net position includes 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.

The following table shows a condensed statement of net position as of June 30, 2014, 2013, and 2012:

Condensed Statement of Net Position			
	2014	2013	2012
Assets:			
Current assets	\$ 2,836,554	3,533,099	3,142,911
Noncurrent assets	30,338,884	25,003,382	21,549,011
Total assets	33,175,438	28,536,481	24,691,922
Liabilities:			
Current liabilities	1,687,107	1,114,954	502,833
Noncurrent liabilities	2,103,821	2,191,984	2,292,325
Total liabilities	3,790,928	3,306,938	2,795,158
Net position:			
Restricted – nonexpendable	10,113,448	8,515,733	7,721,936
Restricted – expendable	16,349,722	13,459,738	11,043,267
Unrestricted	2,921,340	3,254,072	3,131,561
Total net position	\$ 29,384,510	25,229,543	21,896,764

## 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, 2014, cash and investments held by the Foundation was \$32.9 million, up from \$28.1 million at the previous year end.

# Management's Discussion and Analysis

JUNE 30, 2014 AND 2013

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

Cash and Investment Pools				
Pool	Type of Funds	2014	2013	2012
Cash and cash equivalents	Working capital to support operating activities	\$ 1,320,741	1,787,913	834,885
Endowment pool	Contributions to establish endowment funds	25,279,912	20,624,805	18,126,730
Gift annuities and trusts	Gifts managed independently of endowment pool	6,286,591	5,730,450	5,688,610
	Total	\$ <u>32,887,244</u>	<u>28,143,168</u>	<u>24,650,225</u>

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.

## Cash and Cash Equivalents

During fiscal year 2014, the Foundation's cash and cash equivalents decreased by \$467 thousand due primarily to a successful fundraising campaign resulting in cash receipts from contributions and private grants of \$5.5 million. This was offset by the investment of excess cash balances of \$1.8 million, funding for scholarships and other operating expenses, plus transfers of donor directed and restricted funds to the College of \$3.3 million.

During fiscal year 2013, the Foundation's cash and cash equivalents increased by \$953 thousand due primarily to a successful fundraising campaign resulting in cash receipts from contributions and private grants of \$4.1 million. This was offset by the investment of excess cash balances, funding for scholarships and other operating expenses, plus transfers of donor directed and restricted funds to the College.

## 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 2014, investments increased by approximately \$5.2 million. The increase was attributed to net transfers of \$1.8 million in excess cash to investment managers, along with investment income totaling \$679



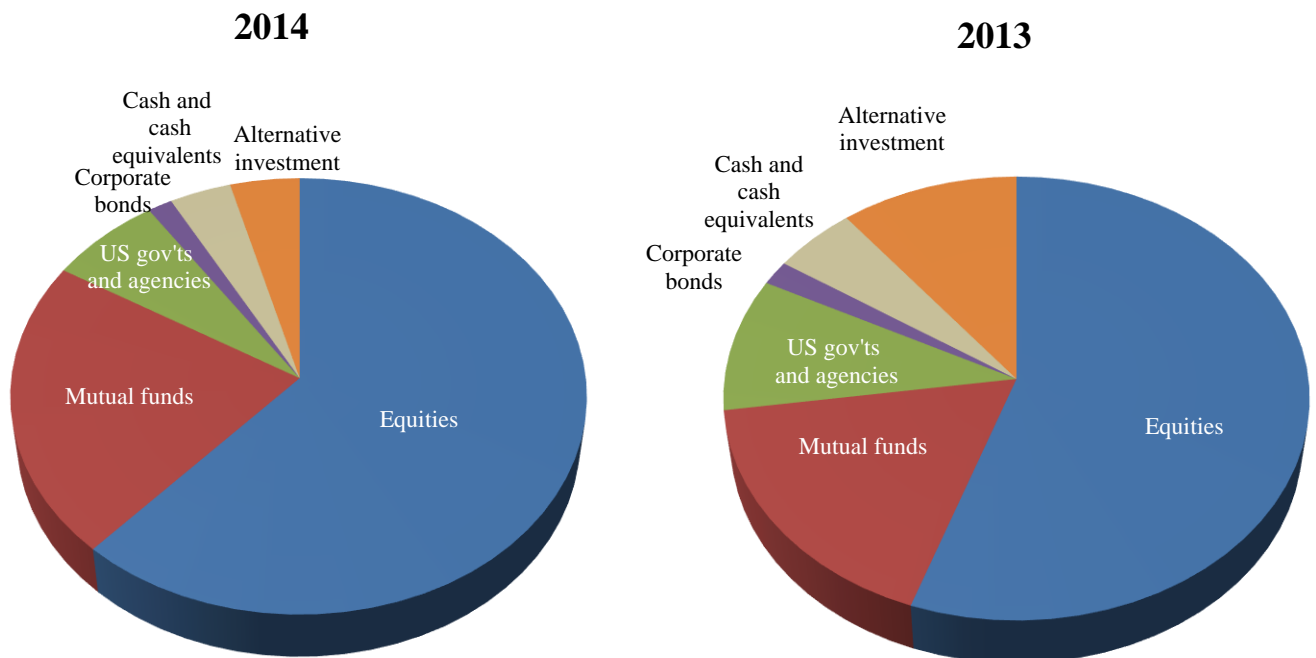
# Management's Discussion and Analysis

JUNE 30, 2014 AND 2013

thousand coupled with \$3.3 million in unrealized gains. This was offset by \$214 thousand in investment manager fees. In addition, there was \$367 thousand in disbursements of contractual payments to gift annuitants. For fiscal year 2014, the endowment pool had a positive rate of return of 13.72% while the gift annuity pool earned 16.88% compared to the investment advisor benchmark style index positive returns of 14.43% and 15.53%, respectively.

In fiscal year 2013, investments increased by approximately \$2.5 million. The increase was attributed to net transfers of \$643 thousand in excess cash to investment managers, along with investment income totaling \$671 thousand coupled with \$1.8 million in unrealized gains. This was offset by \$186 thousand in investment manager fees. In addition, there was \$360 thousand in disbursements of contractual payments to gift annuitants. For fiscal year 2013, the endowment pool had a positive rate of return of 9.34% while the gift annuity pool earned 10.64% compared to the investment advisor benchmark style index positive returns of 10.66% and 11.14%, respectively.

As of June 30, 2014, investments held by the Foundation exceeded \$31.5 million, up from \$26.4 million from the previous fiscal year. The portfolio was allocated among various asset classes as shown below:



# Management's Discussion and Analysis

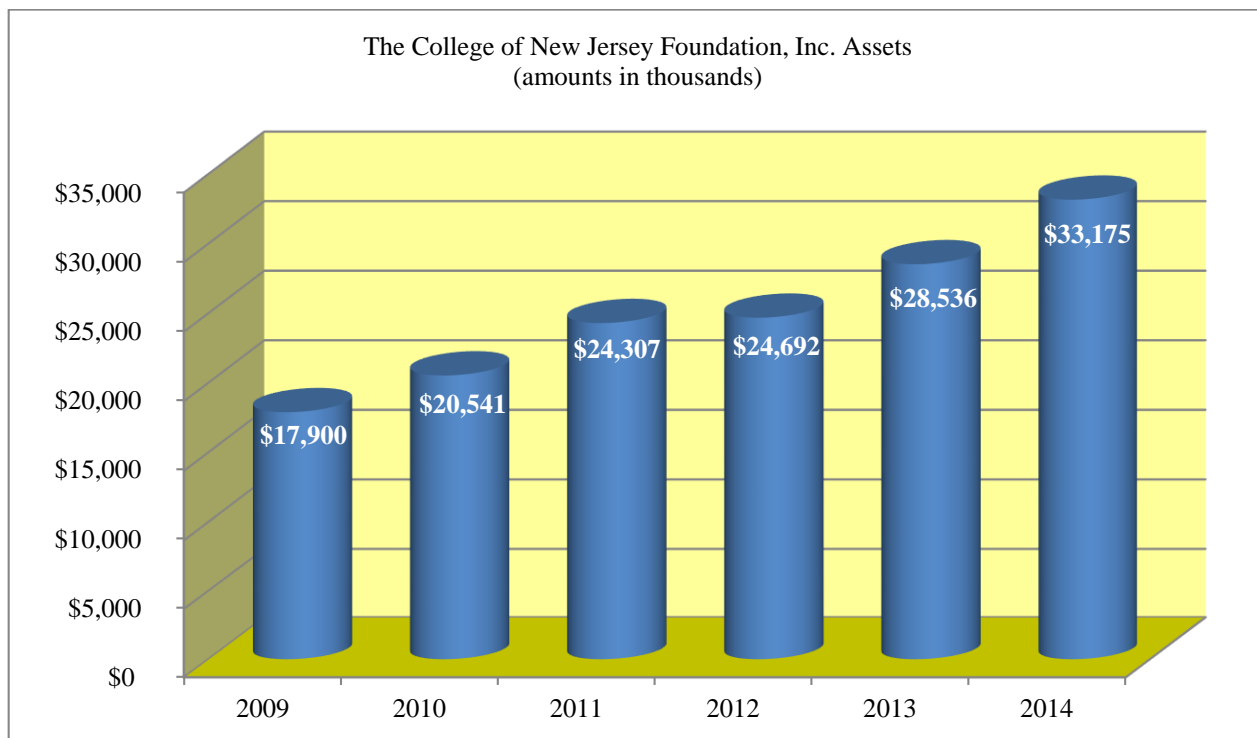
JUNE 30, 2014 AND 2013

Asset Allocation	2014	Percentage	2013	Percentage
Equities	\$ 19,487,702	61.7%	\$ 14,597,063	55.4%
Mutual funds	6,929,589	22.0%	4,577,890	17.4%
US gov'ts and agencies	2,167,867	6.9%	2,565,636	9.7%
Corporate bonds	471,390	1.5%	468,766	1.8%
Cash and cash equivalents	1,182,075	3.7%	1,323,569	5.0%
Alternative investment	1,327,880	4.2%	2,822,331	10.7%
<b>Total Investments</b>	<b>\$ 31,566,503</b>	<b>100%</b>	<b>\$ 26,355,255</b>	<b>100.0%</b>

## 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, 2014 and 2013, the Foundation's assets, which consist primarily of cash and investments, totaled \$33.2 million and 28.5 million, respectively.

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



## Liabilities

In fiscal year 2014, total liabilities increased by \$484 thousand primarily due to amounts due to The College of New Jersey at the end of the fiscal year offset by the decrease in annuities payable due to the adjustment of the actuarial present value of the gift annuities. In fiscal year 2013, total liabilities increased by \$512 thousand primarily due to amounts payable to The College of New Jersey.

# *Management's Discussion and Analysis*

---

JUNE 30, 2014 AND 2013

## **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, 2014 and 2013, the current liabilities were \$1.7 million and \$1.1 million, respectively. The Foundation's current assets of \$2.8 million and \$3.5 million as of June 30, 2014 and 2013, respectively were indicators that the Foundation had adequate liquidity to satisfy its current obligations.

## **Net Position**

The change in net position, 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 2014 and 2013, net position increased by \$4.2 million or 16.5% and \$3.3 million or 15.2%, respectively. In both years, the changes were directly related to the performance of the investment portfolio and successful fundraising campaigns.

## **Nonexpendable Net Position**

During fiscal years 2014 and 2013, nonexpendable net position increased by \$1.6 million or 18.8% and \$0.8 million or 10.3%, respectively. These increases were due to endowed gifts received during those years that were designated by donors to be invested in perpetuity.

## **Expendable Net Position**

During fiscal years 2014 and 2013, this net position category had an increase of \$2.9 million or 21.5% and \$2.4 million or 21.9%, respectively. These increases were primarily due to the receipt of gifts that were designated as expendable coupled with investments appreciation and dividend income.

## **Unrestricted Net Position**

In fiscal year 2014, unrestricted net position had a decrease of \$333 thousand or 10.2% due to a decrease in unrestricted contributions compared to fiscal year 2013 coupled with an increase in unrestricted expenses that was partially offset by an increase in investment income. In fiscal year 2013, there was an increase of \$123 thousand or 3.9% as a result of receipts of unrestricted gifts offset by the operating expenses that were incurred.

## **Statement of Revenues, Expenses and Changes in Net Position**

The statement of revenues, expenses and changes in net position presents 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

JUNE 30, 2014 AND 2013

The following table shows a condensed statement of revenues, expenses and changes in net position for the years ended June 30, 2014, 2013, and 2012:

<b>Condensed Statement of Revenues, Expenses and Changes in Net Position</b>			
	<b>2014</b>	<b>2013</b>	<b>2012</b>
Operating revenues	\$ 4,021,330	3,726,743	3,087,512
Operating expenses	4,978,758	3,185,742	3,283,909
Operating (loss) income	(957,428)	541,001	(196,397)
Nonoperating and other revenues, net	3,514,680	1,997,981	(254,616)
Additions to permanent endowments	1,597,715	793,797	825,439
Increase in net position	4,154,967	3,332,779	374,426
Net position, beginning of year	25,229,543	21,896,764	21,522,338
Net position, end of year	\$ 29,384,510	25,229,543	21,896,764

## 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 fiscal year 2014, the gifts designated by donors as expendable totaled \$4.0 million compared to the previous fiscal year \$3.7 million. In fiscal year 2013, the gifts designated by donors as expendable totaled \$3.7 million compared to the previous fiscal year \$3.1 million. In both fiscal years, the annual fundraising goal was achieved.

## Operating Expenses

Operating expenses include donor directed scholarships and awards and fundraising events expenses and restricted funds distributed to The College of New Jersey. In fiscal year 2014, operating expenses increased \$1.8 million or 56.3% primarily due to an increase in transfers to the College driven by a \$1.0 million transfer from the Foundation for scholarships and a \$200 thousand gift-in-kind transfer. In fiscal year 2013, operating expenses remained relatively stable compared to the previous fiscal years.

## Nonoperating and Other Revenues, Net

In fiscal year 2014, nonoperating revenues, net totaled \$3.5 million. This amount was comprised of investment income and appreciation, net of investment manager fees, totaling \$3.8 million which was offset by the actuarial adjustment to the annuities payable liability of \$281 thousand. Other revenues included additions to permanent endowments of \$1.6 million that represent gifts to be held in perpetuity.

In fiscal year 2013, nonoperating revenues, net totaled \$2.0 million. This amount was comprised of investment income and appreciation, net of investment manager fees, totaling \$2.3 million which was offset by the actuarial adjustment to the annuities payable liability of \$260 thousand. Other revenues included additions to permanent endowments of \$794 thousand that represent gifts to be held in perpetuity.

# STATEMENTS OF NET POSITION

June 30, 2014 and 2013

<b>Assets</b>	<b>2014</b>	<b>2013</b>
Current assets:		
Cash and cash equivalents (note 3)	\$ 1,320,741	1,787,913
Investments (note 4)	1,242,257	1,356,297
Miscellaneous receivables	273,556	388,889
Total current assets	2,836,554	3,533,099
Noncurrent assets:		
Investments (note 4)	1,338,985	465,346
Restricted investments (note 4)	28,985,261	24,533,612
Other assets	14,638	4,424
Total noncurrent assets	30,338,884	25,003,382
Total assets	33,175,438	28,536,481
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	12,830	13,797
Due to The College of New Jersey	1,306,008	735,000
Annuities payable (note 6)	368,269	366,157
Total current liabilities	1,687,107	1,114,954
Noncurrent liabilities:		
Annuities payable (note 6)	2,103,821	2,191,984
Total noncurrent liabilities	2,103,821	2,191,984
Total liabilities	3,790,928	3,306,938
<b>Net Position</b>		
Restricted:		
Nonexpendable:		
Scholarships	7,092,234	6,679,478
Other programs	3,021,214	1,836,255
Expendable:		
Scholarships	12,200,227	9,836,490
Research	67,028	85,108
Other	4,082,467	3,538,140
Unrestricted	2,921,340	3,254,072
Total net position	\$ 29,384,510	25,229,543

See accompanying notes to financial statements.

# STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Years ended June 30, 2014 and 2013

	2014	2013
Operating revenues:		
Contributions	\$ 2,252,074	1,954,396
Private grants & other	1,769,256	1,772,347
Total operating revenues	4,021,330	3,726,743
Operating expenses:		
Scholarships and awards	419,237	851,716
Fundraising events	185,522	14,836
Program services	305,582	168,672
Restricted funds contributed to:		
The College of New Jersey and Affiliates (note 5)	4,068,417	2,150,518
Total operating expenses	4,978,758	3,185,742
Operating (loss) income	(957,428)	541,001
Nonoperating revenues (expenses):		
Investment income	3,795,307	2,257,820
Adjustment to actuarial liability for annuities payable	(280,627)	(259,839)
Nonoperating revenues	3,514,680	1,997,981
Income before other revenues	2,557,252	2,538,982
Additions to permanent endowments	1,597,715	793,797
Increase in net position	4,154,967	3,332,779
Net position as of beginning of year	25,229,543	21,896,764
Net position as of end of year	\$ 29,384,510	25,229,543

See accompanying notes to financial statements.

# STATEMENTS OF CASH FLOWS

Years ended June 30, 2014 and 2013

	2014	2013
Cash flows from operating activities:		
Contributions and private grants	\$ 3,889,262	3,299,701
Scholarships and awards	(385,337)	(461,116)
Fundraising events	(185,332)	(14,836)
Program services	(313,802)	(168,672)
Restricted funds contributed to:		
The College of New Jersey and Affiliates	(3,289,100)	(1,850,518)
Net cash (used by) provided by operating activities	(284,309)	804,559
Cash flows from noncapital financing activities:		
Additions to permanent endowments	1,597,715	793,797
Payments to annuitants	(366,678)	(360,129)
Net cash provided by noncapital financing activities	1,231,037	433,668
Cash flows from investing activities:		
Interest income	466,953	670,877
Purchases of securities	(14,288,732)	(12,953,692)
Proceeds from sales of securities	12,407,879	11,997,616
Net cash used by investing activities	(1,413,900)	(285,199)
Net (decrease) increase in cash and cash equivalents	(467,172)	953,028
Cash and cash equivalents as of beginning of year	1,787,913	834,885
Cash and cash equivalents as of end of year	\$ 1,320,741	1,787,913
Reconciliation of operating (loss) income to net cash (used by) provided by operating activities:		
Operating (loss) income	\$ (957,428)	541,001
In-kind contributions	(2,073)	8,500
Adjustments to reconcile operating (loss) income to net cash (used by) provided by operating activities:		
Changes in assets and liabilities:		
Miscellaneous receivables	105,151	(357,012)
Due to the College of New Jersey	570,041	612,070
Net cash (used by) provided by operating activities	\$ (284,309)	804,559
Noncash transactions:		
Change in fair value of investments	\$ 2,069,767	1,772,677

See accompanying notes to financial statements.

## *Notes to the 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.

Net position is classified into the following categories:

- **Restricted:**

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

*Expendable:* Net position 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 position that is 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.



## *Notes to the Financial Statements*

---

**(c) Cash and Cash Equivalents**

Cash and cash equivalents consist of investments with the New Jersey State Cash Management Fund and Wells Fargo 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. Pledges for which cash has not been received were \$201,120 and \$164,066 as of June 30, 2014 and 2013, respectively, have not been included in the accompanying statements of net position and are recorded as contributions or 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 position are those that serve the Foundation's principal purpose. Operating activities generally result from contributions received, payments made for scholarships and awards, expenses associated with fundraising events, and distributions to the College. Nonoperating revenues include activities such as investment income. Nonoperating expenses include the actuarial adjustment to annuities payable.

## *Notes to the Financial Statements*

---

**(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 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 position in the accompanying financial statements. The Board of Directors 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 position.

**(i) New Accounting Standards Adopted**

In fiscal year 2014, the Foundation adopted two new accounting standards as follows:

GASB Statement No. 66, *Technical Corrections – 2012, An Amendment of GASB Statement No. 10 and No. 62 Liabilities* (GASB 66), removes the provision in GASB Statement No. 10 that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type and modifies the specific guidance in GASB Statement No. 62 on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. There was no impact as a result of adoption of this standard to the Foundation's financial statements.

## *Notes to the Financial Statements*

---

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* (GASB 70), improves accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees and requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. GASB 70 also requires a government that has issued an obligation guaranteed in a nonexchange transaction to report the obligation until legally released as an obligor and requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. New information must be disclosed by governments that receive nonexchange financial guarantees. There was no impact as a result of adoption of this standard to the Foundation's financial statements.

**(j) 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, 2014 and 2013 was \$948,771 and \$1,416,153, respectively, while the amount on deposit with a bank was \$960,889 and \$1,416,935, 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, 2014 and 2013 were insured by Federal Depository Insurance up to \$250,000 per account. Bank balances as of June 30, 2014 and 2013 of \$710,889 and \$1,166,935, respectively, were 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, 2014 and 2013 was \$371,970 and \$371,760, 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, 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, dividend paying history, credit history, and other evaluation factors. The Cash Management Fund is unrated with a portfolio maturity of less than one year.

## Notes to the Financial Statements

### (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, 2014 and 2013:

<b>Investments</b>		
	<b>2014</b>	<b>2013</b>
Cash and cash equivalents	\$ 1,182,075	1,323,569
U.S. Treasury bills and notes and Government agencies	2,167,867	2,565,636
Corporate bonds	471,390	468,766
Equities	19,487,702	14,597,063
Mutual funds	6,929,589	4,577,890
Alternative investments	1,327,880	2,822,331
	<u>\$ 31,566,503</u>	<u>26,355,255</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).

Within the Foundation's investment policy guidelines, the policy gives investment money managers and investment funds full responsibility for security selection, diversification, turnover and allocation of holdings among selected securities and industry groups.

The following are guidelines to be followed by the investment advisors in the selection of investment money managers:

- Domestic equities may be selected from the New York, American and Regional Stock Exchanges, or the NASDAQ markets. The cost of an individual security in the portfolio at purchase may not exceed 5% of the total market value of that portfolio. Individual securities held in a portfolio must not exceed 5% of the portfolio on a cost basis.
- Mutual funds and investment money managers are not to be included in this limitation.
- Only international managers experienced in trade on foreign exchanges shall handle investments in international equities.
- Managers may use a mutual fund as a means of participating in international equities, with prior approval of the Investment Committee.

## Notes to the Financial Statements

- Managers may invest in commercial paper, bankers' acceptances, repurchase agreements, Treasury Bills, certificates of deposit, and money market funds to provide income, liquidity for expense payments, and preservation of the portfolio's principal value. All such assets must represent maturities of one year or less at the time of purchase.
- Commercial paper must be rated A-1 or P-1 by Standard & Poor's and Moody's, respectively.
- Bankers' acceptances and certificates of deposit should only be purchased from larger, well-capitalized domestic and foreign banks with a minimum of an A rating from one of the major rating agencies. Un-invested cash reserves should be kept to minimum levels. In any instance where the total funds on deposit with a financial institution exceeds the insurance coverage provided by the FDIC or FSLIC, collateral security or its equivalent shall be required.
- Fixed income investments will include U.S. Treasury and federal agency debt obligations, corporate bonds, mortgages, asset backed securities and preferred stocks. By design, the managers should focus on fixed income securities of the highest quality, thereby reducing investment risk. With the exception of Federal Government issues, no single issue should exceed 4% and no industry group should exceed 10% of the aggregate fixed-income portfolio without the Investment Committee's prior approval. The average credit quality of the fixed income or convertible portfolio should be rated investment grade or better. The average maturity of the fixed income portfolio may not exceed 12 years and the average duration of the fixed income portfolio should not exceed 10 years.

As of June 30, 2014, 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:

Fixed Income Investments Ratings 2014				
Rating	Total	U.S. Treasury bills and notes	U.S. Government agencies	Corporate bonds
Aaa	\$ 2,228,271	1,489,119	678,748	60,404
Aa1	8,094	—	—	8,094
Aa2	45,721	—	—	45,721
Aa3	23,069	—	—	23,069
A1	32,198	—	—	32,198
A2	53,205	—	—	53,205
A3	79,200	—	—	79,200
Baa1	62,295	—	—	62,295
Baa2	70,544	—	—	70,544
Baa3	36,660	—	—	36,660
Total	\$ 2,639,257	1,489,119	678,748	471,390

## Notes to the Financial Statements

As of June 30, 2013, 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:

Fixed Income Investments Ratings 2013				
Rating	Total	U.S. Treasury bills and notes	U.S. Government agencies	Corporate bonds
Aaa	\$ 2,594,285	1,511,054	1,054,582	28,649
Aa2	64,670	—	—	64,670
Aa3	21,039	—	—	21,039
A1	40,617	—	—	40,617
A2	95,519	—	—	95,519
A3	77,826	—	—	77,826
Baa1	45,193	—	—	45,193
Baa2	73,135	—	—	73,135
Baa3	22,118	—	—	22,118
Total	\$ 3,034,402	1,511,054	1,054,582	468,766

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, 2014, 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:

Fixed Income Investments Maturity 2014				
Maturing in years	Total	U.S. Treasury bills and notes	U.S. Government agencies	Corporate bonds
Less than 1	\$ 60,182	15,016	—	45,166
1 – 5	1,202,610	807,963	94,045	300,602
6 – 10	579,980	485,139	6,922	87,919
Greater than 10	796,485	181,001	577,781	37,703
Total	\$ 2,639,257	1,489,119	678,748	471,390

## Notes to the Financial Statements

As of June 30, 2013, 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:

Fixed Income Investments Maturity 2013				
Maturing in years	Total	U.S. Treasury bills and notes	U.S. Government agencies	Corporate bonds
Less than 1	\$ 32,727	—	—	32,727
1 – 5	809,631	461,150	76,832	271,649
6 – 10	966,226	829,701	10,956	125,569
Greater than 10	1,225,818	220,203	966,794	38,821
Total	\$ 3,034,402	1,511,054	1,054,582	468,766

### (5) Transactions with Affiliates

The Foundation approved disbursements to the College for support of restricted private grants, departments, and donated capital assets of \$4,068,417 and \$2,150,518 during fiscal years 2014 and 2013, respectively. The College provides certain administrative functions on behalf of the Foundation. The costs were not charged to the Foundation in fiscal years 2014 and 2013. Due to affiliates included in the statements of net position for the years ended 2014 and 2013 were \$1,306,008 and \$735,000, respectively. The following table shows the contributions to affiliates for fiscal years 2014 and 2013:

Transactions with Affiliates		
	2014	2013
Restricted funds – Private grants	\$ 2,073,505	1,297,006
Restricted funds – Departmental transfers	1,785,753	798,970
Gifts in kind	209,159	54,542
Total	\$ 4,068,417	2,150,518

## Notes to the Financial Statements

### (6) Noncurrent Liabilities

For the years ended June 30, 2014 and 2013, noncurrent liabilities activity was as follows:

Noncurrent Liabilities Activity					
2014	Beginning balance	Additions	Reductions	Ending balance	Current portion
Noncurrent liabilities:					
Annuities payable	\$ 2,558,141	280,627	366,678	2,472,090	368,269
Total noncurrent liabilities	\$ 2,558,141	280,627	366,678	2,472,090	368,269
2013	Beginning balance	Additions	Reductions	Ending balance	Current portion
Noncurrent liabilities:					
Annuities payable	\$ 2,658,431	259,839	360,129	2,558,141	366,157
Total noncurrent liabilities	\$ 2,658,431	259,839	360,129	2,558,141	366,157

### (7) Risk Management

The Foundation is exposed to various risks of loss. The Foundation maintains a policy with Directors and Officers Liability and Entity Liability Coverage and an Employment Practices Liability Coverage. The combined maximum aggregate limit of liability for all claims under this policy is \$3,000,000.

The insurance policy is renewed on an annual basis. There has been no decrease in insurance coverage during the current year. There have been no settlements in excess of insurance coverage in the past three years.