



**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, 2015 and 2014

(With Independent Auditors' Report Thereon)

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

## *Independent Auditors' Report*

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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, Inc. (the Foundation), a component unit of The College of New Jersey, as of and for the years ended June 30, 2015 and 2014, 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, 2015 and 2014, 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.

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THE COLLEGE OF NEW JERSEY FOUNDATION, INC.

A COMPONENT UNIT OF THE COLLEGE OF NEW JERSEY

KPMG LLP is a Delaware limited liability partnership,  
the U.S. member firm of KPMG International Cooperative  
("KPMG International"), a Swiss entity.



## *Independent Auditors' Report*

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### **Other Matters**

#### *Required Supplementary Information*

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3 through 11 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 19, 2015

## **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.'s (the Foundation) financial performance during the fiscal years ended June 30, 2015 and 2014, 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 2015 and 2014 Investments Highlights**

The Foundation's investment portfolios produced positive results for the fiscal year ended June 30, 2015. The endowment pool posted a positive rate of return of 3.10% net of investment manager fees, a decline in performance from the previous year's performance of 13.72%. Meanwhile, the gift annuity pool produced a return of 3.57% after earning 16.88% percent in the previous year. The fiscal year 2015 returns were in line with benchmarks.

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.

As of June 30, 2015, total investments held by the Foundation were over \$32.2 million, up from \$31.6 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 2015**

During fiscal year 2015, the Foundation moved from the quiet phase of its first-ever comprehensive fundraising campaign to the public phase. The Campaign for The College of New Jersey (TCNJ): Innovate •Inspire •Engage—with a goal of raising \$40 million by June 30, 2017—aims to build the endowment in support of student financial aid, faculty support, programmatic initiatives, and capital improvement. As of June 30, 2015, the Campaign raised \$26 million in gifts and pledges since the beginning of the campaign.

## *Management's Discussion and Analysis*

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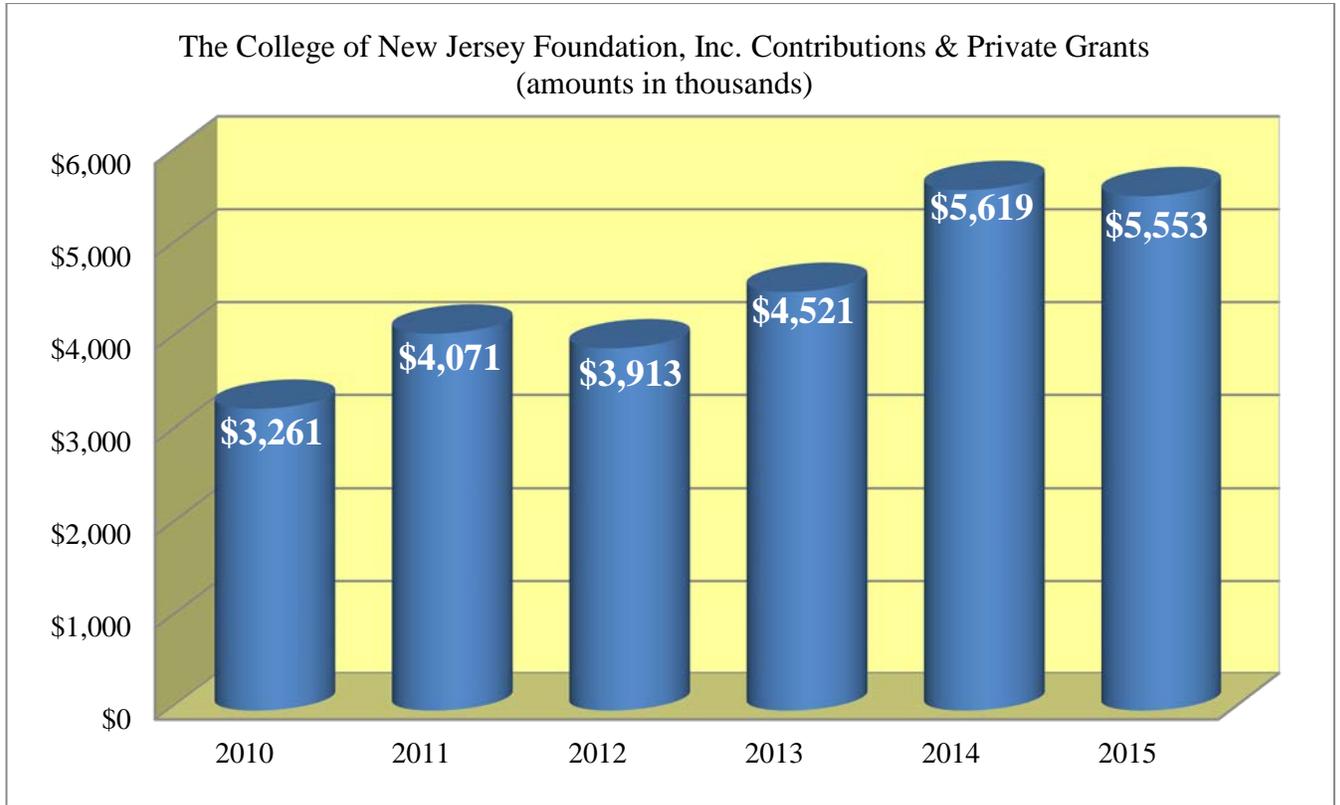
JUNE 30, 2015 AND 2014

Against a fiscal year 2015 goal of \$12 million, the Foundation raised \$15.6 million in gifts and pledges. Not all gifts and pledges have met the eligibility requirements for recognition criteria of GASB Statement No. 33 and have not been recorded in the financial statements. Included in the total was the Foundation's largest gift to the endowment: \$6.6 million from the Helene Fuld Charitable Trust. In accordance with the terms of the trust document, that endowment is held outside of the Foundation's investment portfolio, but is for the sole benefit of The College of New Jersey to provide scholarships for students enrolled in the Nursing program. See note 6 to the financial statements for more information.

Total cash received by the Foundation and recognized as revenue in the statement of revenues, expenses and changes in net position in fiscal year 2015 is comparable to fiscal year 2014 when the Foundation raised a total of \$5.6 million. Of the total raised in fiscal year 2015, approximately \$832 thousand was added to the permanent endowment. A few highlights from the contributions received this past year include:

- A restricted gift of \$1.0 million was received for scholarships for TCNJ Equal Opportunity Fund students;
- A \$246 thousand restricted gift to provide scholarships to low-income TCNJ students who exhibit academic potential and who have overcome great personal challenges;
- An endowed gift of \$228 thousand to fund Engineering scholarships;
- A \$105 thousand restricted gift for scholarships to support students majoring in Criminal Justice;
- A \$100 thousand restricted gift to fund Math Education scholarships;
- A \$100 thousand restricted gift for purposes to be designated by the donor.

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 GASB reported fundraising results over the past six years:



**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.

# Management's Discussion and Analysis

JUNE 30, 2015 AND 2014

The following table shows a condensed statement of net position as of June 30, 2015, 2014, and 2013:

<b>Condensed Statement of Net Position</b>			
	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>Assets:</b>			
Current assets	\$ 4,005,469	2,836,554	3,533,099
Noncurrent assets	30,612,816	30,338,884	25,003,382
<b>Total assets</b>	<b>34,618,285</b>	<b>33,175,438</b>	<b>28,536,481</b>
<b>Liabilities:</b>			
Current liabilities	1,719,896	1,687,107	1,114,954
Noncurrent liabilities	2,569,733	2,103,821	2,191,984
<b>Total liabilities</b>	<b>4,289,629</b>	<b>3,790,928</b>	<b>3,306,938</b>
<b>Net position:</b>			
Restricted – nonexpendable	10,945,542	10,113,448	8,515,733
Restricted – expendable	16,004,602	16,349,722	13,459,738
Unrestricted	3,378,512	2,921,340	3,254,072
<b>Total net position</b>	<b>\$ 30,328,656</b>	<b>29,384,510</b>	<b>25,229,543</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, 2015, cash and investments held by the Foundation was \$33.6 million, up from \$32.9 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>2015</b>	<b>2014</b>	<b>2013</b>
Cash and cash equivalents	Working capital to support operating activities	\$ 1,326,763	1,320,741	1,787,913
Endowment pool	Contributions to establish endowment funds	26,184,060	25,279,912	20,624,805
Gift annuities and trusts	Gifts managed independently of endowment pool	6,054,428	6,286,591	5,730,450
	<b>Total</b>	<b>\$ 33,565,251</b>	<b>32,887,244</b>	<b>28,143,168</b>

# *Management's Discussion and Analysis*

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JUNE 30, 2015 AND 2014

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 2015, the Foundation's cash and cash equivalents increased by \$6 thousand and has remained relatively flat from the previous year. This is due to cash receipts from the fundraising campaign and private grants of \$4.7 million and net investment income of \$179 thousand, funding for scholarships and other operating expenses of \$1.2 million, transfers of donor directed, restricted funds, and scholarship support to the College of \$3.3 million, and \$369 thousand in payments to annuitants.

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.

## **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.

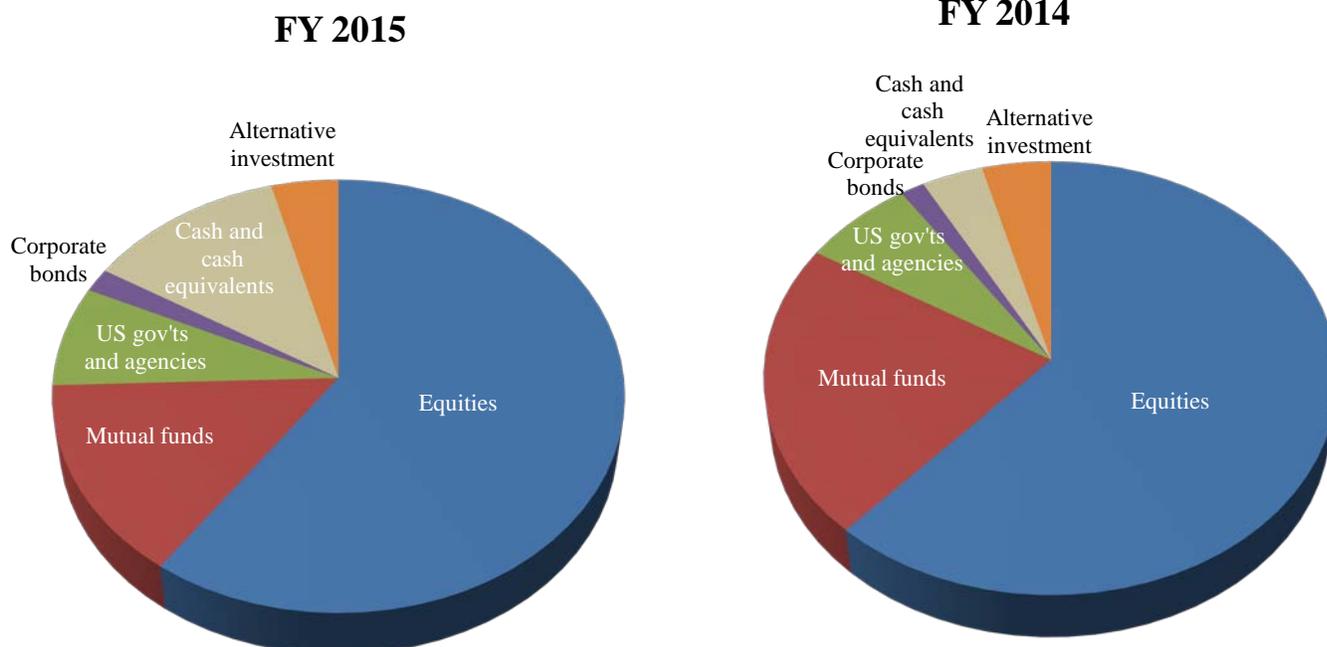
In fiscal year 2015, investments increased by approximately \$672 thousand. The increase was attributed to net transfers of \$193 thousand in cash to investment managers, along with investment income totaling \$804 thousand coupled with \$281 thousand in investment gains. This was offset by \$237 thousand in investment manager fees. In addition, there was \$369 thousand in disbursements of contractual payments to gift annuitants. For fiscal year 2015, the endowment pool had a positive rate of return of 3.10% while the gift annuity pool earned 3.57% compared to the investment advisor benchmark style index positive returns of 3.23% and 3.46%, respectively.

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 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.

# Management's Discussion and Analysis

JUNE 30, 2015 AND 2014

As of June 30, 2015, investments held by the Foundation exceeded \$32.2 million, up from \$31.6 million from the previous fiscal year. The portfolio was allocated among various asset classes as shown below:

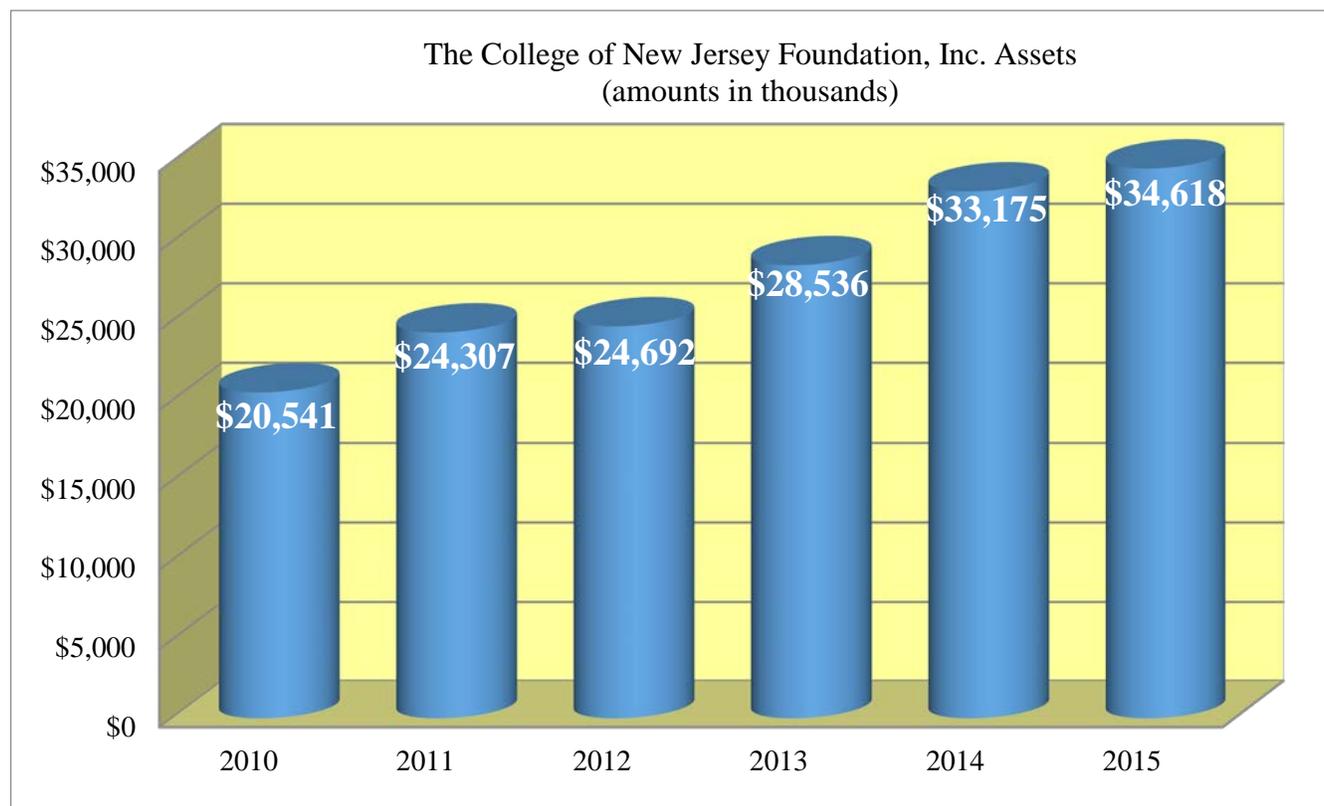


<b>Asset Allocation</b>	<b>2015</b>	<b>Percentage</b>	<b>2014</b>	<b>Percentage</b>
Cash and cash equivalents	3,926,682	12.2%	1,182,075	3.7%
US gov'ts and agencies	2,414,228	7.5%	2,167,867	6.9%
Corporate bonds	567,232	1.7%	471,390	1.5%
Equities	\$ 19,303,121	59.9%	\$ 19,487,702	61.7%
Mutual funds	4,703,336	14.6%	6,929,589	22.0%
Alternative investment	1,323,889	4.1%	1,327,880	4.2%
<b>Total Investments</b>	<b>\$ 32,238,488</b>	<b>100.0%</b>	<b>\$ 31,566,503</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 six years, which resulted from annual fundraising campaigns coupled with investment appreciation. As of June 30, 2015 and 2014, the Foundation's assets, which consist primarily of cash and investments, totaled \$34.6 million and \$33.2 million, respectively.

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



**Liabilities**

In fiscal year 2015, total liabilities increased by \$499 thousand primarily due to the increase in annuities payable due to the adjustment of the actuarial present value of the gift annuities. In fiscal year 2014, total liabilities increased by \$484 thousand primarily due to amounts due to The College of New Jersey.

**Working Capital**

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, 2015 and 2014, the current liabilities were \$1.7 million. The Foundation's current assets of \$4.0 million and \$2.8 million as of June 30, 2015 and 2014, respectively, were indicators that the Foundation had adequate liquidity to satisfy its current obligations.

# *Management's Discussion and Analysis*

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JUNE 30, 2015 AND 2014

## **Net Position**

The change in net position is one indicator of whether the overall financial condition of the Foundation has improved or worsened during the fiscal year. During fiscal years 2015 and 2014, net position increased by \$944 thousand or 3.2% and \$4.2 million or 16.5%, 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 2015 and 2014, nonexpendable net position increased by \$832 thousand or 8.2% and \$1.6 million or 18.8%, 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 year 2015, this net position category had a decrease of \$345 thousand or 2.1% primarily due to an increase in annuities payable and scholarship support transfers to the College, partially offset by the receipt of gifts that were designated as expendable. In fiscal year 2014, expendable net position increased by \$2.9 million or 21.5% primarily due to the receipt of gifts designated as expendable coupled with investment appreciation and dividend income offset by scholarship support transfers to the College.

## **Unrestricted Net Position**

In fiscal year 2015, unrestricted net position had an increase of \$457 thousand or 15.6% due to a decrease in transfers to the College from unrestricted funds compared to fiscal year 2014. This increase was offset by a decrease in unrestricted contributions compared to fiscal year 2014 coupled with an increase in unrestricted expenses and a decrease in investment income. In fiscal year 2014, there was a decrease of \$333 thousand or 10.2% 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 operations of the Foundation.

# Management's Discussion and Analysis

JUNE 30, 2015 AND 2014

The following table shows a condensed statement of revenues, expenses and changes in net position for the years ended June 30, 2015, 2014, and 2013:

<b>Condensed Statement of Revenues, Expenses and Changes in Net Position</b>			
	<b>2015</b>	<b>2014</b>	<b>2013</b>
Operating revenues	\$ 4,720,728	4,021,330	3,726,743
Operating expenses	4,621,724	4,978,758	3,185,742
Operating (loss) income	99,004	(957,428)	541,001
Nonoperating and other revenues, net	13,048	3,514,680	1,997,981
Additions to permanent endowments	832,094	1,597,715	793,797
Increase in net position	944,146	4,154,967	3,332,779
Net position, beginning of year	29,384,510	25,229,543	21,896,764
Net position, end of year	\$ 30,328,656	29,384,510	25,229,543

## 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 2015, the gifts designated by donors as expendable totaled \$4.7 million compared to the previous fiscal year \$4.0 million. 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 both fiscal years, the annual fundraising goal was achieved.

## Operating Expenses

Operating expenses include donor directed scholarships and awards, fundraising events expenses and restricted funds distributed to The College of New Jersey. In fiscal year 2015, operating expenses decreased \$357 thousand or 7.2% primarily due to a decrease in transfers to the College of \$671 thousand offset by an increase in program services, fundraising events, and scholarships and awards expenses, which is primarily due to the comprehensive campaign for the current year. 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.

## Nonoperating and Other Revenues, Net

In fiscal year 2015, nonoperating revenues, net totaled \$13 thousand. This amount was comprised of investment income and appreciation, net of investment manager fees, totaling \$850 thousand which was offset by the actuarial adjustment to the annuities payable liability of \$837 thousand. Other revenues included additions to permanent endowments of \$832 thousand that represent gifts to be held in perpetuity.

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.

# STATEMENTS OF NET POSITION

June 30, 2015 and 2014

<b>Assets</b>	<b>2015</b>	<b>2014</b>
Current assets:		
Cash and cash equivalents (note 3)	\$ 1,326,763	1,320,741
Investments (note 4)	1,629,756	1,242,257
Contribution receivables	1,048,919	273,524
Miscellaneous receivables	31	32
Total current assets	<u>4,005,469</u>	<u>2,836,554</u>
Noncurrent assets:		
Investments (note 4)	—	1,338,985
Restricted investments (note 4)	30,608,732	28,985,261
Other assets	4,084	14,638
Total noncurrent assets	<u>30,612,816</u>	<u>30,338,884</u>
Total assets	<u>34,618,285</u>	<u>33,175,438</u>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	25,594	12,830
Due to The College of New Jersey	1,323,245	1,306,008
Annuities payable (note 7)	371,057	368,269
Total current liabilities	<u>1,719,896</u>	<u>1,687,107</u>
Noncurrent liabilities:		
Annuities payable (note 7)	2,569,733	2,103,821
Total noncurrent liabilities	<u>2,569,733</u>	<u>2,103,821</u>
Total liabilities	<u>4,289,629</u>	<u>3,790,928</u>
<b>Net Position</b>		
Restricted:		
Nonexpendable:		
Scholarships	7,828,703	7,092,234
Other programs	3,116,839	3,021,214
Expendable:		
Scholarships	12,886,789	12,200,227
Research	71,890	67,028
Other	3,045,923	4,082,467
Unrestricted	3,378,512	2,921,340
Total net position	<u>\$ 30,328,656</u>	<u>29,384,510</u>

See accompanying notes to financial statements.

# STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Years ended June 30, 2015 and 2014

	2015	2014
Operating revenues:		
Contributions	\$ 3,360,973	2,252,074
Private grants & other	1,359,755	1,769,256
Total operating revenues	4,720,728	4,021,330
Operating expenses:		
Scholarships and awards	546,291	419,237
Fundraising events	271,313	185,522
Program services	407,024	305,582
Restricted funds contributed to:		
The College of New Jersey (note 5)	3,397,096	4,068,417
Total operating expenses	4,621,724	4,978,758
Operating income (loss)	99,004	(957,428)
Nonoperating revenues (expenses):		
Investment income	850,547	3,795,307
Adjustment to actuarial liability for annuities payable	(837,499)	(280,627)
Nonoperating revenues	13,048	3,514,680
Income before other revenues	112,052	2,557,252
Additions to permanent endowments	832,094	1,597,715
Increase in net position	944,146	4,154,967
Net position as of beginning of year	29,384,510	25,229,543
Net position as of end of year	\$ 30,328,656	29,384,510

See accompanying notes to financial statements.

# STATEMENTS OF CASH FLOWS

Years ended June 30, 2015 and 2014

	2015	2014
Cash flows from operating activities:		
Contributions and private grants	\$ 3,823,412	3,889,230
Scholarships and awards	(544,132)	(385,337)
Fundraising events	(277,944)	(185,332)
Program services	(379,234)	(313,802)
Restricted funds contributed to:		
The College of New Jersey	(3,257,937)	(3,289,100)
Net cash used by operating activities	(635,835)	(284,341)
Cash flows from noncapital financing activities:		
Additions to permanent endowments	832,094	1,597,715
Payments to annuitants	(368,799)	(366,678)
Net cash provided by noncapital financing activities	463,295	1,231,037
Cash flows from investing activities:		
Investment income, net of investment manager fees	569,383	466,985
Purchases of securities	(12,111,752)	(14,288,732)
Proceeds from sales of securities	11,720,931	12,407,879
Net cash provided by (used by) investing activities	178,562	(1,413,868)
Net increase (decrease) in cash and cash equivalents	6,022	(467,172)
Cash and cash equivalents as of beginning of year	1,320,741	1,787,913
Cash and cash equivalents as of end of year	\$ 1,326,763	1,320,741
Reconciliation of operating income (loss) to net cash used by operating activities:		
Operating income (loss)	\$ 99,004	(957,428)
In-kind contributions	—	(2,073)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:		
Changes in assets and liabilities:		
Contribution and miscellaneous receivables	(775,394)	115,333
Other assets	10,554	(10,214)
Accounts payable	12,764	(967)
Due to the College of New Jersey	17,237	571,008
Net cash used by operating activities	\$ (635,835)	(284,341)
Noncash transactions:		
Change in fair value of investments	\$ (1,155,309)	2,069,767

See accompanying notes to financial statements.

## *Notes to the Financial Statements*

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### **(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.

#### **(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 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

## *Notes to the Financial Statements*

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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 related to permanent endowments and term endowments for which cash has not been received were \$9,515,261 and \$201,120 as of June 30, 2015 and 2014, 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. Contributions receivables included in the accompanying statements of net position represent contributions from donors where all eligibility requirements have been met and are expected to be collected in one year or less.

**(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.

**(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

## *Notes to the Financial Statements*

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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) *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, 2015 and 2014 was \$954,554 and \$948,771, respectively, while the amount on deposit with a bank was \$963,231 and \$960,889, 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, 2015 and 2014 were insured by Federal Depository Insurance up to \$250,000 per account. Bank balances as of June 30, 2015 and 2014 of \$713,231 and \$710,889, 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, 2015 and 2014 was \$372,209 and \$371,970, 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, 2015 and 2014:

Investments		
	2015	2014
Cash and cash equivalents	\$ 3,926,682	1,182,075
U.S. Treasury bills and notes and Government agencies	2,414,228	2,167,867
Corporate bonds	567,232	471,390
Equities	19,303,121	19,487,702
Mutual funds	4,703,336	6,929,589
Alternative investments	1,323,889	1,327,880
	<u>\$ 32,238,488</u>	<u>31,566,503</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, 2015, 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 2015</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	\$ 2,479,593	1,504,901	909,327	65,365
Aa1	30,080	—	—	30,080
Aa2	20,040	—	—	20,040
Aa3	22,843	—	—	22,843
A1	35,208	—	—	35,208
A2	85,575	—	—	85,575
A3	119,226	—	—	119,226
Baa1	102,870	—	—	102,870
Baa2	50,791	—	—	50,791
Baa3	24,474	—	—	24,474
Ba1	10,760	—	—	10,760
<b>Total</b>	<b>\$ 2,981,460</b>	<b>1,504,901</b>	<b>909,327</b>	<b>567,232</b>

## Notes to the Financial Statements

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

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, 2015, 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 2015				
Maturing in years	Total	U.S. Treasury bills and notes	U.S. Government agencies	Corporate bonds
Less than 1	\$ 146,775	97,302	49,473	—
1 – 5	895,562	550,698	88,257	256,607
6 – 10	923,078	687,268	11,651	224,159
Greater than 10	1,016,045	169,633	759,946	86,466
Total	\$ 2,981,460	1,504,901	909,327	567,232

## Notes to the Financial Statements

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

### (5) Transactions with Affiliates

The Foundation approved disbursements to the College for support of restricted private grants, departments, and donated capital assets of \$3,397,096 and \$4,068,417 during fiscal years 2015 and 2014, respectively. The College provides certain administrative functions on behalf of the Foundation. The costs were not charged to the Foundation in fiscal years 2015 and 2014. Due to The College of New Jersey included in the statements of net position for the years ended 2015 and 2014 were \$1,323,245 and \$1,306,008, respectively. The following table shows the contributions to the College for fiscal years 2015 and 2014:

Transactions with Affiliates		
	2015	2014
Restricted funds – Private grants	\$ 1,237,784	2,073,505
Institutional scholarship support	1,050,000	1,000,000
Restricted funds – Departmental transfers	987,390	785,753
Gifts in kind	121,922	209,159
Total	\$ 3,397,096	4,068,417

### (6) Funds Held in Trust

Funds held in trust by others and not in the possession of, nor under the control of, the Foundation are not included in the Foundation's cash and cash equivalents and investments. In fiscal year 2015, the Foundation was named the beneficiary of a trust whose investments fair value as of June 30, 2015 approximated \$6,587,000.

## *Notes to the Financial Statements*

### (7) Noncurrent Liabilities

For the years ended June 30, 2015 and 2014, noncurrent liabilities activity was as follows:

<b>Noncurrent Liabilities Activity</b>					
<b>2015</b>	<b>Beginning balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending balance</b>	<b>Current portion</b>
Noncurrent liabilities:					
Annuities payable	\$ 2,472,090	837,499	368,799	2,940,790	371,057
Total noncurrent liabilities	\$ 2,472,090	837,499	368,799	2,940,790	371,057
<b>2014</b>	<b>Beginning balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending balance</b>	<b>Current portion</b>
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

### (8) 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.