

Report of Audit

on the

Financial Statements

of the

***Raritan Valley Community
College Foundation***

for the

*Years Ended
June 30, 2014 and 2013*

RARITAN VALLEY COMMUNITY COLLEGE FOUNDATION

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INDEPENDENT AUDITOR'S REPORT

Honorable President and
Members of the Board
Raritan Valley Community
College Foundation
P.O. Box 3300
Somerville, New Jersey 08876

Report on the Financial Statements

We have audited the accompanying financial statements of Raritan Valley Community College Foundation (the "Foundation"), which comprise the statements of financial position as of June 30, 2014 and 2013 and the related statements of activity and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

The Foundation's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 auditor's 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 controls 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 controls. 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 Raritan Valley Community College Foundation as of June 30, 2014 and 2013 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

April 17, 2015

RARITAN VALLEY COMMUNITY COLLEGE FOUNDATIONSTATEMENT OF FINANCIAL POSITION
JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 2,014,648	\$ 1,967,306
Investments	1,355,133	1,200,086
Contributions Receivable	506,507	829,348
Other Assets	<u>3,898</u>	<u>5,915</u>
<u>TOTAL ASSETS</u>	<u>\$ 3,880,186</u>	<u>\$ 4,002,655</u>
<u>LIABILITIES AND NET ASSETS</u>		
Deferred Revenue	\$ 65,279	\$ 81,503
Other Liabilities	<u>6,196</u>	<u></u>
<u>TOTAL LIABILITIES</u>	<u>\$ 71,475</u>	<u>\$ 81,503</u>
<u>NET ASSETS</u>		
Net Assets:		
Unrestricted	\$ 450,006	\$ 440,741
Temporarily Restricted	2,870,121	2,899,019
Permanently Restricted	<u>488,584</u>	<u>581,392</u>
<u>TOTAL NET ASSETS</u>	<u>\$ 3,808,711</u>	<u>\$ 3,921,152</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 3,880,186</u>	<u>\$ 4,002,655</u>

See Notes to Financial Statements.

RARITAN VALLEY COMMUNITY COLLEGE FOUNDATION

STATEMENT OF ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2014

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
REVENUES				
Contributions	\$ 724,586	\$ (221,098)	\$	\$ 503,488
Interest Income	5,943			5,943
Investment Income	27,404	18		27,422
Fund Raising (Net of Expenses):				
Raffle Scholarship 2014 (\$5,892)	24,108			24,108
Raffle - Paris 2013 (\$0)		100		100
Make A Difference 2013 (\$3,866)	3,011	50		3,061
One Book Program 2014 (\$2,808)	6,692			6,692
One Book Program 2015 (\$0)		2,500		2,500
Wine Tasting 2013 (\$3,701)		7,933		7,933
Women Leading The Way (\$16,623)		45,012		45,012
Golf Classic 2013 (\$43,274)		83,451		83,451
Realized Gain on Investments		52,513		52,513
Unrealized Gain on Investments		93,831		93,831
Net Assets Released from Restrictions	186,016	(186,016)		-0-
	<u>\$ 977,760</u>	<u>\$ (121,706)</u>	<u>\$ -</u>	<u>\$ 856,054</u>
EXPENDITURES				
Management:				
Administrative Expense	\$ 307,673	\$	\$	\$ 307,673
Capital Items	104,609			104,609
Investment Expense	11,910			11,910
Program:				
Scholarships	267,967			267,967
Theater	16,332			16,332
Miscellaneous Fundraising Expenses	13,144			13,144
Transfer to Raritan Valley Community College	246,860			246,860
	<u>\$ 968,495</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 968,495</u>
Change in Net Assets	\$ 9,265	\$ (121,706)	\$ -	\$ (112,441)
Net Assets, June 30, 2013	440,741	2,899,019	581,392	3,921,152
2013 Net Asset Reclassification (Note 8)		92,808	(92,808)	-0-
Net Assets, June 30, 2014	<u>\$ 450,006</u>	<u>\$ 2,870,121</u>	<u>\$ 488,584</u>	<u>\$ 3,808,711</u>

See Notes to Financial Statements.

RARITAN VALLEY COMMUNITY COLLEGE FOUNDATION

STATEMENT OF ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2013

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
<u>REVENUES</u>				
Contributions	\$ 571,479	\$ 416,309	\$ 2,100	\$ 989,888
Interest Income	7,615			7,615
Investment Income	28,039	193		28,232
Fund Raising (Net of Expenses):				
Celtic Nights 2013 (\$-0-)	1,385			1,385
Raffle - Paris 2013 (\$6,936)	20,859	5		20,864
Art Gallery Benefit 2012 (\$1,761)	5,262	47		5,309
Cyber Security Forum 2012 (\$1,954)		17,346		17,346
Golf Classic 2012 (\$36,149)		77,816		77,816
Realized Gain on Investments		66,126		66,126
Unrealized Gain on Investments		30,523		30,523
Net Assets Released from Restrictions	58,283	(58,283)		-0-
	<u>\$ 692,922</u>	<u>\$ 550,082</u>	<u>\$ 2,100</u>	<u>\$ 1,245,104</u>
<u>EXPENDITURES</u>				
Management:				
Administrative Expense	\$ 284,488	\$	\$	\$ 284,488
Capital Items	21,819			21,819
Investment Expense	12,062			12,062
Program:				
Scholarships	217,831			217,831
Theater	20,558			20,558
Transfer to Raritan Valley Community College	128,104			128,104
	<u>\$ 684,862</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 684,862</u>
Change in Net Assets	\$ 8,060	\$ 550,082	\$ 2,100	\$ 560,242
Net Assets, June 30, 2012	432,681	2,345,184	583,045	3,360,910
2012 Net Asset Reclassification (Note 8)		3,753	(3,753)	-0-
Net Assets, June 30, 2013	<u>\$ 440,741</u>	<u>\$ 2,899,019</u>	<u>\$ 581,392</u>	<u>\$ 3,921,152</u>

See Notes to Financial Statements.

RARITAN VALLEY COMMUNITY COLLEGE FOUNDATIONSTATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<u>Operating Activities:</u>		
Change In Net Assets	\$ (112,441)	\$ 560,242
Add (Deduct) Changes in Non-Cash Working Capital:		
Contributions Receivable	322,841	(50,969)
Other Receivables		3,753
Other Assets	2,017	(5,915)
Deferred Revenue	(16,224)	18,779
Unrealized (Gains)/Losses on Investments	(93,831)	(30,523)
Other Liabilities	6,196	
Net Cash Provided by Operating Activities	\$ <u>108,558</u>	\$ <u>495,367</u>
<u>Investment Activities:</u>		
Sale (Purchase) of Investments - Net	\$ <u>(61,216)</u>	\$ <u>124,884</u>
Net Cash Provided by (Used in) Investing Activities	\$ <u>(61,216)</u>	\$ <u>124,884</u>
Net Increase (Decrease) in Cash	\$ 47,342	\$ 620,251
Cash at Beginning of Period	\$ <u>1,967,306</u>	\$ <u>1,347,055</u>
Cash at End of Period	\$ <u><u>2,014,648</u></u>	\$ <u><u>1,967,306</u></u>

See Notes to Financial Statements.

RARITAN VALLEY COMMUNITY COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Raritan Valley Community College Foundation was created in 1971 to help the College expand and meet the growing educational and cultural needs of residents and businesses in Somerset and Hunterdon counties. The Foundation's primary objective is to provide scholarship support to students. The Foundation also strives to enhance the College's standing as the most important source of culture and continuing education in Somerset and Hunterdon counties and works with RVCC to expand the relationships it has forged with businesses and the community.

The Foundation makes all decisions as to how the unrestricted funds held by it will be distributed, whether as scholarships or as special project funds to the faculty or, if deemed advisable, as a contribution to the College itself so as to enable it to continue its present programs.

Basis of Accounting

The Foundation prepares its financial statements on the accrual basis.

Financial Statement Presentation

Net assets and revenues, gains, and losses are classified based on the absence or existence and nature of donor-imposed restrictions as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or the passage of time.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally the donors of these assets require the Foundation to use all or part of the income earned on related investments for general or specific purposes.

RARITAN VALLEY COMMUNITY COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

Contributions received and unconditional promises to give are measured at their fair values and are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. When a donor stipulation expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activity as net assets released from restrictions.

Promises to Give

Unconditional promises to give, less an allowance for uncollectible amounts, are recognized as revenue in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers all monies in banks and highly liquid investments with maturity dates of less than three months to be cash or cash equivalents.

Investments

Investments are recorded at fair value based on quoted market prices or prices which are provided by investment managers. Realized and unrealized gains and losses are included in the statement of activity.

Fair Value Measurement

The Foundation uses a three-tier hierarchy established by the FASB ASC to prioritize the assumptions, referred to as inputs, used in valuation techniques to measure fair value. The three-tier hierarchy of inputs is summarized in the three broad levels listed below.

Level 1 – Quoted prices in active markets for identical investments.

Level 2 – Other significant observable inputs (including quoted prices for similar investments in active markets, interest rates and yield curves, prepayment speeds, credit risks, etc.).

RARITAN VALLEY COMMUNITY COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurement (Continued)

Level 3 – Significant unobservable inputs (including the Foundation's own assumptions in determining the fair value of investments).

The mutual funds in which the Foundation invests are reported at the net asset value made publicly available daily, at which redemptions and investments take place for the following day. The investments held by the mutual fund are required by the Securities and Exchange Commission to be measured daily at fair value. The resulting net asset value is a Level 1 measure.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes

The Foundation qualifies as a tax-exempt organization under Section 501 (c) (3) of the Internal Revenue Code and, therefore, has no provision for federal income taxes.

The most significant tax position of the Foundation is its assertion that it is exempt from income taxes. Other significant tax positions include its determination of whether any amounts are subject to unrelated business tax (UBIT). Management has determined the Foundation had no activities subject to UBIT in the years ended June 30, 2014 or 2013. All significant tax positions have been considered by management and it has determined that it is more likely than not that all tax positions would be sustained upon examination by taxing authorities.

The Foundation is required to file Form 990 (Return of Organization Exempt from Income Tax) which is subject to examination by the Internal Revenue Service (IRS) up to three years from the extended due date of the tax return. The Forms 990 for 2011 through 2013 are open to examination by the IRS as of June 30, 2014.

RARITAN VALLEY COMMUNITY COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

(2) CASH AND CASH EQUIVALENTS

The components of Cash and Cash Equivalents are summarized as follows:

	<u>2014</u>	<u>2013</u>
Money Market Accounts	\$1,536,278	\$1,522,357
Certificate of Deposit	<u>478,370</u>	<u>444,949</u>
Total Cash and Cash Equivalents	<u>\$2,014,648</u>	<u>\$1,967,306</u>

The cash on deposit of the Foundation is partially insured by Federal Deposit Insurance Corporation in the amount of \$250,000 in each depository.

(3) CREDIT RISK

The Foundation maintains its cash in bank deposit accounts, which at times, may exceed federally insured limits, currently \$250,000. The Foundation has not experienced any losses in such accounts. The Foundation believes it is not exposed to any significant credit risk on its cash accounts.

(4) INVESTMENTS

Investments are stated at fair value:

	<u>COST</u>		<u>FAIR VALUE</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Corporate Bonds	\$ 516,186	\$ 512,860	\$ 535,200	\$ 518,191
Corporate Stock	596,466	525,010	768,032	628,449
Alternative Investments	<u>49,330</u>	<u>62,892</u>	<u>51,901</u>	<u>53,446</u>
TOTALS	<u>\$1,161,982</u>	<u>\$1,100,762</u>	<u>\$1,355,133</u>	<u>\$1,200,086</u>

Investments are stated at fair value. The fair value of all debt and equity securities with a readily determinable fair value are based on quotations obtained from national securities exchanges (Level 1 measurements).

RARITAN VALLEY COMMUNITY COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

(5) CONTRIBUTIONS RECEIVABLE

Amounts due in Contributions receivable are as follows:

	<u>2014</u>	<u>2013</u>
Less than one year	\$38,766	\$359,098
One to two years	<u>467,741</u>	<u>470,250</u>
	<u>\$506,507</u>	<u>\$829,348</u>

(6) RELATED PARTY TRANSACTIONS

The mission of the Foundation is to raise funds above and beyond public and tuition sources and to promote awareness of the institution. The Foundation directs these funds to assist the College in providing affordable, accessible and quality educational and cultural experiences to the community. The funds transferred for the years ending June 30, 2014 and 2013 are \$246,860 and \$128,104, respectively.

The Foundation receives financial support from the College. The College provides funding for the Foundation's salaries and benefits, office space and miscellaneous costs.

(7) RESTRICTIONS ON NET ASSETS

Permanently Restricted Net Assets

Permanently restricted net assets consist of donor-restricted cash donations to be held in perpetuity, the income from which is expendable for designated purposes. These assets are largely designated for scholarships.

Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2014 and 2013 amounted to \$2,870,121 and \$2,899,019, respectively. These funds are available for the following purposes:

	<u>2014</u>	<u>2013</u>
Capital	\$ 1,138,038	\$ 1,482,925
Endowment	383,975	288,948
Other	<u>1,348,108</u>	<u>1,127,146</u>
	<u>\$ 2,870,121</u>	<u>\$ 2,899,019</u>

RARITAN VALLEY COMMUNITY COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

(8) ENDOWMENT FUNDS

The Foundation's endowment consists of several funds established for a variety of purposes. Some funds are restricted by the donor while other funds are unrestricted. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The State of New Jersey has enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The UPMIFA, as implemented, requires the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result, the Foundation has classified as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of any subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as either unrestricted or temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

RARITAN VALLEY COMMUNITY COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

(8) ENDOWMENT FUNDS (CONTINUED)

Interpretation of Relevant Law (Continued)

Changes in Endowment Funds for the year ended June 30, 2014:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance, June 30, 2013	\$ -0-	\$288,948	\$581,392	\$870,340
Contributions	6,790	1,875	-0-	8,665
Investment Income	-0-	689	-0-	689
Net Realized/Unrealized Gains/(Losses)	-0-	-0-	-0-	-0-
Appropriation for Restricted Purposes	<u>(6,790)</u>	<u>(345)</u>	<u>-0-</u>	<u>(7,135)</u>
Endowment Net Assets Prior to Reclassification	-0-	291,167	581,392	872,559
Net Asset Reclassification	<u>-0-</u>	<u>92,808</u>	<u>(92,808)</u>	<u>-0-</u>
Balance, June 30, 2013	<u>\$ -0-</u>	<u>\$383,975</u>	<u>\$488,584</u>	<u>\$ 872,559</u>

As a result of a change by donor request, \$92,808 was reclassified from Permanently Restricted to Temporarily Restricted.

(9) NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors during the years ended June 30, 2014 and 2013. In 2013-2014, the Foundation released \$186,016 and in 2012-2013, the Foundation released \$58,283 for the following purposes:

	<u>2014</u>	<u>2013</u>
Scholarships	\$ 115,965	\$ 18,127
Capital	-0-	-0-
Special Programs and Other	<u>70,051</u>	<u>40,156</u>
	<u>\$ 186,016</u>	<u>\$ 58,283</u>

RARITAN VALLEY COMMUNITY COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

(10) COMMITMENTS AND CONTINGENCIES

In the ordinary conduct of its business, the Foundation may be a party to litigation. At June 30, 2014, in the opinion of management based upon consultation with legal counsel, there were no matters pending or threatened which would have a material adverse effect on the financial position of the Foundation.

(11) SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events occurring after the financial statement date through April 17, 2015, which is the date the financial statements were available to be issued. Based on this evaluation, the Foundation has determined that no subsequent events have occurred which require disclosure in the financial statements.