

# **ALUMNI ASSOCIATION OF BROOKDALE COMMUNITY COLLEGE**

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## **FINANCIAL STATEMENTS**

**JUNE 30, 2016 AND 2015**



# **THE ALUMNI ASSOCIATION OF BROOKDALE COMMUNITY COLLEGE**

## **Financial Statements**

**June 30, 2016 and 2015**

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Alumni Association of Brookdale Community College  
Lincroft, New Jersey

### **Report on Financial Statements**

We have audited the accompanying financial statements of the Alumni Association of Brookdale Community College (the "Association"), which comprise the statements of financial position as of June 30, 2016, the related statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

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

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.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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 Association as of June 30, 2016 and the respective changes in net assets and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Prior Period Financial Statements**

The financial statements of the Association as of June 30, 2015, were audited by other auditors whose report dated February 10, 2016, expressed an unmodified opinion on those statements.

*O'Connell and Drew, P.C.*

**Certified Public Accountants  
Braintree, Massachusetts**

September 23, 2016

**THE ALUMNI ASSOCIATION OF  
BROOKDALE COMMUNITY COLLEGE**

Statements of Financial Position

As of June 30, 2016 and 2015

<b>Assets</b>	<b>2016</b>	<b>2015</b>
Cash and cash equivalents	\$ 68,555	63,807
Investments, at fair value (note 2)	130,745	130,733
Restricted cash	<u>7,117</u>	<u>7,117</u>
Total assets	<u>\$ 206,417</u>	<u>201,657</u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Due to Brookdale Community College	\$ <u>2,126</u>	<u>1,934</u>
Total liabilities	<u>2,126</u>	<u>1,934</u>
Net assets:		
Unrestricted	90,822	86,898
Temporarily restricted	<u>113,469</u>	<u>112,825</u>
Total net assets	<u>204,291</u>	<u>199,723</u>
Total liabilities and net assets	<u>\$ 206,417</u>	<u>201,657</u>

*See accompanying notes to financial statements*

**THE ALUMNI ASSOCIATION OF  
BROOKDALE COMMUNITY COLLEGE**  
Statements of Activities and Changes in Net Assets  
For the fiscal years ended June 30, 2016 and 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues, gains and other support:						
Contributions	\$ 41,325	—	41,325	41,250	—	41,250
Alumni sponsored events	20,283	—	20,283	12,960	—	12,960
Incentive revenue	7,025	—	7,025	5,700	—	5,700
Interest and dividends	94	2,412	2,506	111	2,728	2,839
Net realized and unrealized gains (losses) on investments	(630)	(1,768)	(2,398)	1,584	(1,887)	(303)
Membership dues	960	—	960	2,245	—	2,245
Net assets released from restrictions for scholarships	—	—	—	2,000	(2,000)	—
Total revenues, gains and other support	<u>69,057</u>	<u>644</u>	<u>69,701</u>	<u>65,850</u>	<u>(1,159)</u>	<u>64,691</u>
Expenses:						
Program:						
Scholarships	3,000	—	3,000	3,500	—	3,500
Alumni sponsored events	13,769	—	13,769	10,529	—	10,529
Management and general	48,364	—	48,364	45,580	—	45,580
Total expenses	<u>65,133</u>	<u>—</u>	<u>65,133</u>	<u>59,609</u>	<u>—</u>	<u>59,609</u>
Change in net assets	3,924	644	4,568	6,241	(1,159)	5,082
Net assets as of beginning of year	<u>86,898</u>	<u>112,825</u>	<u>199,723</u>	<u>80,657</u>	<u>113,984</u>	<u>194,641</u>
Net assets as of end of year	<u>\$ 90,822</u>	<u>113,469</u>	<u>204,291</u>	<u>86,898</u>	<u>112,825</u>	<u>199,723</u>

*See accompanying notes to financial statements*

**THE ALUMNI ASSOCIATION OF  
BROOKDALE COMMUNITY COLLEGE**  
Statements of Cash Flows  
For the fiscal years ended June 30, 2016 and 2015

	<b>2016</b>	2015
Cash flows from operating activities:		
Change in net assets	\$ <b>4,568</b>	5,082
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized and unrealized loss on investments	<b>2,399</b>	303
Increase in liabilities:		
Due to Brookdale Community College	<b>192</b>	232
Accounts payable	<u>—</u>	<u>(400)</u>
Net cash provided by operating activities	<u><b>7,159</b></u>	<u>5,217</u>
Cash flows from investing activities:		
Proceeds from sale of investments	—	2,000
Purchases of investments	<u>(2,411)</u>	<u>(2,728)</u>
Net cash used in investing activities	<u>(2,411)</u>	<u>(728)</u>
Net increase in cash and cash equivalents	<b>4,748</b>	4,489
Cash and cash equivalents as of beginning of year	<u><b>63,807</b></u>	<u>59,318</u>
Cash and cash equivalents as of end of year	<u><b>\$ 68,555</b></u>	<u>63,807</u>
Supplemental disclosure of cash flow information:		
In-kind support	<u><b>\$ 41,325</b></u>	<u>41,250</u>

*See accompanying notes to financial statements*

**THE ALUMNI ASSOCIATION OF  
BROOKDALE COMMUNITY COLLEGE**  
Notes to Financial Statements  
For the fiscal years ended June 30, 2016 and 2015

**(1) Organization and Summary of Significant Accounting Policies**

***Organization***

The Alumni Association of Brookdale Community College (the “Association”) was founded in 1973. The Association is a not-for-profit organization governed by a Board of Directors comprised of graduates and attendees of Brookdale Community College (the “College”). The Association provides scholarships to students and alumni of the College and sponsors special events that benefit certain College programs and activities.

***Summary of Significant Accounting Policies***

***Basis of presentation***

The accompanying financial statements have been prepared on the accrual basis of accounting, focus on the Association as a whole and present balances and transactions according to the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

- Unrestricted net assets - net assets not subject to any donor-imposed stipulations.
- Temporarily restricted net assets - net assets subject to donor-imposed stipulations that will be met by actions of the Association and/or by the passage of time.

Revenues are reported as increases in unrestricted net assets unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expiration of temporary restrictions on net assets is reported as net assets released from restrictions. Temporarily restricted contributions, the requirements of which are met in the year of donation, are reported as unrestricted.

***Contributions***

Contributions are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional. Contributions of assets other than cash are recorded at their estimated fair value at the date of contribution.

***Alumni sponsored events***

The Association recognizes event revenue for a particular event once that event takes place.

***Temporarily restricted net assets***

Temporarily restricted net assets consist of contributions to be used for scholarships to students and alumni of the College.

***Cash and cash equivalents***

Cash equivalents are considered to be highly liquid investment instruments with original maturities of less than three months, with the exception of cash restricted for specific purposes and money market funds held by the Association’s investment custodian as part of its long-term investment portfolio.



**THE ALUMNI ASSOCIATION OF  
BROOKDALE COMMUNITY COLLEGE**  
Notes to Financial Statements  
For the fiscal years ended June 30, 2016 and 2015

**(1) Organization and Summary of Significant Accounting Policies (continued)**

*Summary of Significant Accounting Policies (continued)*

***Restricted cash***

Restricted cash consists of cash restricted for use for certain scholarships to students and alumni of the College.

***Investments***

The Association has an investment policy which establishes guidelines for permissible investments, which include equities, mutual funds and fixed income funds. Investments in marketable securities are reported at fair value in the accompanying statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities and changes in net assets. Fair values for equities, mutual funds, and bonds are based on quoted market prices.

***Investment risk***

The Association invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term, and that such changes could materially affect the amounts reported in the statements of financial position.

***Use of estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 reporting period. Actual results could differ from those estimates.

***Functional expenses***

Directly identifiable expenses are charged to program and support services. Expenses related to more than one function are allocated between program and support services based on management's estimate. Support services include those expenses that provide for the overall support and direction of the Association.

**THE ALUMNI ASSOCIATION OF  
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Notes to Financial Statements  
For the fiscal years ended June 30, 2016 and 2015

**(1) Organization and Summary of Significant Accounting Policies (continued)**

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

***Income taxes***

The Internal Revenue Service (“IRS”) has classified the Association as exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (“Code”). The Association is also eligible to receive a charitable contribution deduction under Section 170(b)(1)(A) of the Code, and is classified as an organization other than a private foundation under Section 509(a)(2) of the Code. As a not-for-profit entity exempt from income taxes, the Association may, however be subject to tax on unrelated business income.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken and recognize a tax liability, if the Association has taken an uncertain tax position that more likely than not would not be sustained upon examination by a government authority. Management has analyzed the tax positions taken by the Association and has concluded that as of June 30, 2016 and 2015, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements.

The Association recognizes accrued interest and penalties associated with uncertain tax positions, if any, as part of management and general expenses. There were no income tax related interest and penalties recorded for the years ended June 30, 2016 and 2015.

***New Accounting Pronouncement***

ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, an amendment to Topic 958, Not-for-Profit Entities, was issued by the Financial Accounting Standards Board in June 2016 with an effective date for fiscal years beginning after December 17, 2017. The purpose of this amendment is to improve the transparency and utility of information contained in the financial statements of such entities. Net assets will be presented in two categories, net assets with donor restrictions and net assets without donor restrictions, as opposed to the current three categories. Additional information and disclosures will be required to enable a reader to more readily understand liquidity limitations due to restrictions on net assets. Early application is permitted. Management has not begun its review of the standard, but does not expect implementation to have a material impact on financial position or results of operations.

**(2) Fair Value Measurements**

FASB Accounting Standards Codification (“ASC”) 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value, and defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the “exit price”) in an orderly transaction between market participants.

In determining fair value, the Association uses various valuation approaches, including market, income and/or cost approaches. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements), and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under the topic are described below:

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Notes to Financial Statements  
For the fiscal years ended June 30, 2016 and 2015

**(2) Fair Value Measurements (continued)**

Level 1 – Quoted prices for identical assets or liabilities in active markets.

Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3 – Significant inputs to the valuation model are unobservable.

The following is a description of the valuation methodology used for assets measured at fair value. There have been no changes in the methodology used as of June 30, 2016 and 2015.

*Marketable Securities* – Valued at the quoted market price at year-end.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Association believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The valuation levels are not necessarily an indication of the risk or liquidity associated with the underlying assets and liabilities.

The following table sets forth, by level, the Association's investments at fair value, within the fair value hierarchy, as of June 30, 2016 and 2015:

<u>Level 1</u>	<u>2016</u>	<u>2015</u>
Marketable securities:		
Money market funds	\$ 19,498	20,698
U.S. equities	17,106	26,487
International equities	4,252	8,476
Bonds:		
Corporate	54,319	44,444
Mutual funds:		
Large cap equity	24,394	25,024
Other	<u>11,176</u>	<u>5,604</u>
	<u>\$ 130,745</u>	<u>130,733</u>

**THE ALUMNI ASSOCIATION OF  
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**(2) Fair Value Measurements (continued)**

**Changes in fair value levels:**

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period. For the years ended June 30, 2016 and 2015, there were no transfers into or out of Levels 1, 2 or 3.

**(3) Related Party Transactions**

The Association utilizes management services provided by the Brookdale Community College. In-kind support of \$41,325 and \$41,250 has been recorded as unrestricted contributions and management and general expense in the accompanying financial statements for the years ended June 30, 2016 and 2015, respectively. Amounts due to the College from the Association were \$2,126 and \$1,934 as of June 30, 2016 and 2015, respectively.

**(4) Subsequent Events**

Management has evaluated subsequent events through September 23, 2016, the date for which the financial statements were available for issuance. Management accepted the financial statements and did not identify any events subsequent to June 30, 2016 requiring disclosure in these financial statements.