

**BROOKDALE COMMUNITY COLLEGE
FOUNDATION**
(a Component Unit of Brookdale Community College)

**FINANCIAL STATEMENTS AND
MANAGEMENT'S DISCUSSION AND ANALYSIS**

JUNE 30, 2016

BROOKDALE COMMUNITY COLLEGE FOUNDATION
(a Component Unit of Brookdale Community College)

**Financial Statements and
Management's Discussion and Analysis**

June 30, 2016

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INDEPENDENT AUDITORS' REPORT

To the Honorable President and
Members of the Board of Trustees of
Brookdale Community College Foundation
Lincroft, New Jersey

Report on Financial Statements

We have audited the accompanying financial statements of Brookdale Community College Foundation (a component unit of Brookdale Community College) (the "Foundation"), which comprise the statements of net position as of June 30, 2016, the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements. The financial statements of the Foundation as of June 30, 2015 were audited by the other auditors whose report dated October 15, 2015 expressed an unmodified opinion on 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 the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 respective financial position of Brookdale Community College Foundation (a component unit of Brookdale Community College) as of June 30, 2016, and the respective changes in net position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3-5, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2016, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

O'Connor and Duen, P.C.

**Certified Public Accountants
Braintree, Massachusetts**

September 22, 2016

BROOKDALE COMMUNITY COLLEGE FOUNDATION

(A Component Unit of Brookdale Community College)

Management's Discussion and Analysis

For the fiscal years ended June 30, 2016 and 2015

The Management's Discussion and Analysis ("MD&A") represents Brookdale Community College Foundation's (the "Foundation") financial performance during the fiscal years ended June 30, 2016 and 2015.

The mission of the Foundation is to help students achieve their dream of earning a college degree so they can build better futures for themselves, their families and our communities. The Foundation solicits private funding from individuals, businesses, organizations and private foundations to support and fund student scholarships, innovation grants to expand student access, and special programs that provide access and opportunity to students.

This MD&A provides an overview of the Foundation's financial activities for its fiscal year ended June 30, 2016 with comparative information for prior periods and should be read in conjunction with the Foundation's audited financial statements and footnotes.

General Financial Information

Revenue

The "Building Minds, Building Futures" campaign contributions earmarked for scholarships, programs, and special events generated revenue in FY16 totaling \$753,408 compared to \$506,747 in FY15. Special events in FY16, including the Education Open Golf Tournament, the Scholarship Ball, and the Wilbur Ray Scholarship Dinner, generated revenues of \$211,209, an increase of \$3,177 (1.5%) from the FY15 total of \$208,032. The Foundation also launched an employee giving program titled "Invest in Student Success" giving employees an opportunity to support its mission through ongoing payroll deductions or one-time donations.

Major donations to the Foundation included gifts of \$240,000, \$50,000, \$27,500, \$23,190, \$20,000, \$12,250, \$10,000, \$7,500, \$5,000; gifts of smaller denominations were also received from individuals, businesses, organizations, private foundations and employees.

In FY16, the Foundation secured a \$240,000 grant from the Jules L. Plangere, Jr. Family Foundation to support a brand new initiative called the Asbury Park College Promise. The program offers college scholarships to eligible Asbury Park High School students who complete a comprehensive college readiness program beginning in the 11th grade. The "last-dollar" scholarships, good for up to 64 credits toward a Brookdale associate degree or certificate, will fund any tuition and fees that are not covered by Pell Grants, State assistance funds or other scholarships. The Asbury Promise program will also offer students a wide range of academic enrichment courses, career workshops, college preparatory courses, and mentorship opportunities designed to help students succeed at the college level and beyond. Parents will also be required to attend orientation sessions.

In FY14, the Foundation secured a \$1,000,000 gift by Dr. Murphy to establish the Poseidon Early College High School ("PECHS") program in which the College entered into the agreement with the Neptune Township School District. PECHS will target academically prepared Neptune Township High School students who are the first in their families to attend college. The program will make it possible for selected students to complete an associate degree and a high school diploma in four years. In the fall of 2014, 25 Neptune students took college courses while also completing requirements for their high school diplomas. A new class of 25 is admitted each year until the school has 100 students in four grades. Currently, the program has approximately 75 students enrolled.

BROOKDALE COMMUNITY COLLEGE FOUNDATION

(A Component Unit of Brookdale Community College)

Management's Discussion and Analysis

For the fiscal years ended June 30, 2016 and 2015

Revenue - Continued

The Foundation had investment earnings of \$249,996, an increase of \$253,455 over the FY15 loss of \$3,459. The increase in unrestricted, restricted and endowed investment earnings was primarily related to a strong balanced portfolio including dividend paying stocks. Overall, the Foundation is comfortable with their investment portfolio positions and noted that their investment portfolio valuations were in-line with market performance.

Total Revenues

A summary of revenues for the periods ended June 30 was as follows:

	<u>FY16</u>	<u>FY15</u>	<u>FY14</u>	<u>FY15/FY16 Change</u>
Special events	\$ 211,209	208,032	223,537	3,177
Contributions	542,199	298,715	1,344,270	243,484
College contributions	153,763	152,706	150,270	1,057
Investment income	<u>249,996</u>	<u>(3,459)</u>	<u>416,716</u>	<u>253,455</u>
	<u>\$ 1,157,167</u>	<u>655,994</u>	<u>2,134,793</u>	<u>501,173</u>

Total Expenses

Operating expenses in FY16 and FY15 were \$752,665 and \$751,413, respectively. The FY16 increase of \$1,252 is primarily attributable to a decrease in special events expense of \$8,592, off-set by an increase in scholarships of \$12,980.

Scholarships and Grants

The Foundation Board of Trustees is committed to increasing scholarships and grants. Scholarships, grants and other programs supporting students totaled \$429,381 in FY16 and \$416,401 in FY15, an increase of \$12,980 (3.1%). More than 500 students received scholarships and grants during FY16, the largest dollar amount of scholarships awarded in the Foundation's history. Scholarships are awarded to students having financial need (the majority do not qualify for Federal or State grants) and meeting other established criteria. Other grants are provided to faculty and staff, as well as departments for projects that enhance educational services and increase access for students including the POSEIDON Early College High School in Neptune.

BROOKDALE COMMUNITY COLLEGE FOUNDATION

(A Component Unit of Brookdale Community College)

Management's Discussion and Analysis

For the fiscal years ended June 30, 2016 and 2015

Net Position

Total net position in FY16 was \$6,086,034 compared to \$5,681,532 in FY15, a 7.1% increase. Net position in FY16 increased \$404,502 over FY15, and FY15 net position decreased \$95,419 over FY14. In the last 14 years, net position has increased from \$1,363,653 in FY02 to \$6,086,034 in FY16, while simultaneously increasing scholarships and grants significantly. This growth trend is tied to the generation of over \$2 million in new endowment funds, managing asset allocation of these new funds and existing funds to produce investment income to meet annual scholarship and grant expenditures, and generating more revenue to support scholarships and programs.

This growth was also tied to the Foundation's Board of Trustees' strategic planning and goal setting for FY16 and beyond. These goals included the following:

- ✓ Increased total number of external Foundation volunteers (Board and Fundraising Committees) to sustain and expand volunteer interest, involvement and investment.
- ✓ Determined number of, type, timing and annual fundraising goals for Foundation Special Events to raise additional unrestricted revenue.
- ✓ Increased total scholarship funds annually supporting student success.
- ✓ Increased Foundation assets to provide financial stability and sustainability.

The Foundation's Board of Trustees continued its commitment to be more engaged in the mission of the Foundation and the results in FY16 demonstrated increased interest, involvement, commitment and investment in that mission.

Other Information

There are plans to continue the annual campaign, the Education Open Golf Outing at Eagle Oaks Golf Club, and the Scholarship Ball in FY17.

**BROOKDALE COMMUNITY COLLEGE
FOUNDATION**

(a Component Unit of Brookdale Community College)

Statements of Net Position

June 30, 2016 and 2015

BROOKDALE COMMUNITY COLLEGE FOUNDATION

(A Component Unit of Brookdale Community College)

Statements of Net Position

As of June 30, 2016 and 2015

Assets	2016	2015
Current assets:		
Cash and cash equivalents	\$ 526,222	349,111
Accounts receivable and other assets	14,264	28,222
Investments (note 4)	3,296,542	3,190,417
Contribution receivable	159,365	72,382
Total current assets	<u>3,996,393</u>	<u>3,640,132</u>
Noncurrent assets:		
Cash restricted for long-term purposes	51,694	78,023
Contributions receivable	120,000	—
Endowment investments (note 4)	2,041,263	1,998,800
Total noncurrent assets	<u>2,212,957</u>	<u>2,076,823</u>
Total assets	<u>6,209,350</u>	<u>5,716,955</u>
Liabilities		
Current liabilities:		
Due to Brookdale Community College (note 6)	123,316	35,423
Total current liabilities	<u>123,316</u>	<u>35,423</u>
Net Position		
Restricted for:		
Nonexpendable:		
Scholarships	1,190,871	1,177,096
Library	902,086	899,727
Expendable:		
Scholarships	2,482,153	2,130,950
Library	369,871	362,795
Unrestricted	1,141,053	1,110,964
Total net position	<u>\$ 6,086,034</u>	<u>5,681,532</u>

See accompanying notes to financial statements

BROOKDALE COMMUNITY COLLEGE FOUNDATION
(A Component Unit of Brookdale Community College)
Statements of Revenues, Expenses, and Changes in Net Position
For the fiscal years ended June 30, 2016 and 2015

	2016	2015
Operating revenues:		
Special events	\$ 211,209	208,032
Contributions	542,199	298,715
Total operating revenues	753,408	506,747
Operating expenses:		
Special events	56,494	65,086
Scholarships and grants	429,381	416,401
Salaries	145,954	146,532
Benefits	49,099	41,758
Rent and utilities	34,787	34,106
Supplies and other services	36,950	47,530
Total operating expenses	752,665	751,413
Operating income (loss)	743	(244,666)
Nonoperating revenues (expenses):		
Investment income (loss) (note 4)	249,996	(3,459)
Donated services from College (note 5)	153,763	152,706
Total nonoperating revenues	403,759	149,247
Increase (decrease) in net position	404,502	(95,419)
Net position as of beginning of year	5,681,532	5,776,951
Net position as of end of year	\$ 6,086,034	5,681,532

See accompanying notes to financial statements

BROOKDALE COMMUNITY COLLEGE FOUNDATION

(A Component Unit of Brookdale Community College)

Statements of Cash Flows

For the fiscal years ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Special events receipts	\$ 225,167	191,861
Contributions and pledges	335,216	302,593
Payments to suppliers	(81,041)	(99,880)
Payments for reimbursement to College	(95,055)	(73,486)
Payments for scholarships and grants	(334,913)	(414,045)
Other operating disbursements	—	(4,438)
Net cash provided by (used in) operating activities	<u>49,374</u>	<u>(97,395)</u>
Cash flows from investing activities:		
Interest and dividends on investments	71,289	87,178
Sales of investments	554,967	270,934
Purchases of investments	(524,848)	(272,204)
Net cash provided by investing activities	<u>101,408</u>	<u>85,908</u>
Net increase (decrease) in cash and cash equivalents	150,782	(11,487)
Cash and cash equivalents at beginning of year	427,134	438,621
Cash and cash equivalents at end of year	<u>\$ 577,916</u>	<u>427,134</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ 743	(244,666)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
College in-kind contribution	153,763	152,706
Change in assets and liabilities:		
Accounts receivable and other assets	13,958	(16,171)
Contributions receivable	(206,983)	3,878
Due to Brookdale Community College	87,893	11,376
Accounts payable	—	(80)
Deposits held in custody for others	—	(4,438)
Net cash provided by (used in) operating activities	<u>\$ 49,374</u>	<u>(97,395)</u>

See accompanying notes to financial statements

BROOKDALE COMMUNITY COLLEGE FOUNDATION

(A Component Unit 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

Brookdale Community College Foundation (the “Foundation”) is a not-for-profit organization created in 1973 under the laws of the State of New Jersey. The purposes of the Foundation are to receive, hold, invest, administer, encourage, and solicit contributions from the general public for the benefit of Brookdale Community College (the “College”). The Foundation’s efforts benefit the College in the development and construction of physical facilities on campus; in the undertaking of projects which foster and promote educational philosophy, mission and goals of the College; in providing funds for the development of curriculum and education media; and in the creation of scholarships. Although the Foundation is a legally separate, not-for-profit organization, because of the significance of its operational and financial relationships with the College, it is considered a component unit of the College.

The Foundation is an organization described under Section 501(c)(3) of the Internal Revenue Code (“Code”) and therefore is exempt from federal income taxes under Section 501(a) of the Code.

Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (“GASB”). The significant accounting policies followed by the Foundation are as follows:

Accrual Basis

The accompanying financial statements have been prepared on the accrual basis of accounting using the economic resources measurement focus. The Foundation reports as a business type activity, as defined by GASB Statement No. 35. Business type activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

Net Position

The Foundation classifies its resources into the following net position categories:

- ***Restricted:***
 - Nonexpendable* – Net position subject to externally-imposed stipulations that must be maintained permanently by the Foundation.
 - Expendable* – Net position whose use by the Foundation is subject 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. Unrestricted net position may be designated for specific purposes by action of management with approval by the Board of Trustees. Substantially all unrestricted net position is designated for academic programs and initiatives and capital programs.

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.

BROOKDALE COMMUNITY COLLEGE FOUNDATION

(A Component Unit 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)

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on deposit with banks and money market funds with the exception of cash restricted for specific purposes and original maturities of three months or less.

Investments

Investments are recorded at fair value, which is based upon quoted market prices, and consist of mutual funds, equities and bonds.

Investment income consists of dividend and interest income and is shown net of investment management fees.

The net change in the fair value of investments consists of both realized and unrealized gain and loss on investments.

Office Furnishings and Equipment

Costs of office furnishings and equipment are charged to expense because the Foundation does not deem such amounts to be sufficiently material to warrant capitalization and depreciation.

Grants and Contributions

Grants and contributions are recorded as unrestricted revenue or restricted net position depending on the absence or existence of any donor restrictions. Unconditional grants and contributions are recognized as revenue when the related promise to give is received. Conditional grants and contributions are recognized as revenue only when the conditions on which they depend are substantially met and the promises become unconditional.

Donor-restricted grants and contributions whose restrictions are satisfied in the same period as funds are recognized are reported as unrestricted support in the statements of revenues, expenses and changes in net 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.

BROOKDALE COMMUNITY COLLEGE FOUNDATION

(A Component Unit 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)

New Accounting Standards Adopted

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application* ("GASB 72"), which defines fair value and describes how fair value should be measured, what assets and liabilities should be measured at fair value, and what information about fair value should be disclosed in the notes to the financial statements. The requirements of GASB 72 are effective for the Foundation's fiscal year ending June 30, 2016. The implementation of GASB 72 did not have a significant impact on the Foundation's financial statements.

Reclassification

Certain amounts in the financial statements as of June 30, 2015 have been reclassified to conform to the presentation as of June 30, 2016.

(2) Cash and Cash Equivalents

The Foundation maintains cash balances in bank deposit accounts that, at times, may exceed federally insured limits. The Foundation has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk on cash.

(3) Cash Restricted for Long-Term Purposes

Cash restricted for long-term purposes consists of \$51,694 and \$78,023 as of June 30, 2016 and 2015, respectively, of funds that are part of the Endowment Funds which when combined with the Endowment Fund Investments, represent the total of the Nonexpendable Net Position.

(4) Investments

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Foundation will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Foundation, or are held by either the counterparty or the counterparty's trust department or agent but not in the Foundation's name. The Foundation's policy is to hold all investments in the name of the organization.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Foundation does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. The Foundation's investment policy establishes guidelines for permissible investments, which include certificates of deposits, mutual funds, equities and bonds.

BROOKDALE COMMUNITY COLLEGE FOUNDATION

(A Component Unit of Brookdale Community College)

Notes to Financial Statements

For the fiscal years ended June 30, 2016 and 2015

(4) Investments (continued)

Concentration of Credit Risk

The Foundation does not place a limit on the amount that may be invested in any one issuer.

The risk categories for the bond fund holdings held by the Foundation as of June 30, 2016 and 2015, are as follows:

<u>Investment rating*</u>	<u>FY16</u>	<u>FY15</u>
AAA	\$ 438,452	429,043
AA+	281,113	225,537
AA-	47,759	33,968
A+	38,332	72,904
A	168,172	169,456
A-	162,520	293,887
BBB+	383,175	228,818
BBB	50,577	85,740
BBB-	15,751	43,293
BB+	25,000	25,089
	<u>\$ 1,610,851</u>	<u>1,607,735</u>

*These ratings are determined by Standard & Poor's, a division of McGraw-Hill Companies, Inc. All ratings represent the opinions of the research provider and are disclaimed as not representations or guarantees of performance.

BROOKDALE COMMUNITY COLLEGE FOUNDATION

(A Component Unit of Brookdale Community College)

Notes to Financial Statements

For the fiscal years ended June 30, 2016 and 2015

(4) Investments (continued)

Investments as of June 30, are stated at fair value and consist of the following:

2016					
<u>Investment Maturities (in years)</u>					
<u>Investment Type</u>	<u>Market Value</u>	<u>Less than 1</u>	<u>1-5 years</u>	<u>6-10 years</u>	<u>More than 10</u>
					<u>years</u>
Corporate bonds	\$ 917,711	37,278	394,075	349,966	136,392
Government bonds	650,280	31,023	423,557	78,445	117,255
Municipal bonds	18,230	-	-	-	18,230
Foreign bonds	24,630	-	24,630	-	-
	<u>1,610,851</u>	<u>68,301</u>	<u>842,262</u>	<u>428,411</u>	<u>271,877</u>
 <u>Other investments</u>					
Mutual funds	9,964				
Preferred stock	138,596				
Equities	3,578,394				
	<u>\$ 5,337,805</u>				

2015					
<u>Investment Maturities (in years)</u>					
<u>Investment Type</u>	<u>Market Value</u>	<u>Less than 1</u>	<u>1-5 years</u>	<u>6-10 years</u>	<u>More than 10</u>
					<u>years</u>
Corporate bonds	\$ 968,974	138,697	286,168	405,050	139,059
Government bonds	598,334	69,295	412,931	61,795	54,313
Municipal bonds	16,150	-	-	-	16,150
Foreign bonds	24,277	-	24,277	-	-
	<u>1,607,735</u>	<u>207,992</u>	<u>723,376</u>	<u>466,845</u>	<u>209,522</u>
 <u>Other investments</u>					
Mutual funds	9,953				
Preferred stock	133,781				
Equities	3,437,748				
	<u>\$ 5,189,217</u>				

BROOKDALE COMMUNITY COLLEGE FOUNDATION

(A Component Unit of Brookdale Community College)

Notes to Financial Statements

For the fiscal years ended June 30, 2016 and 2015

(4) Investments (continued)

Investment income for the years ended June 30, is as follows:

	<u>2016</u>	<u>2015</u>
Investment income	\$ 71,289	111,301
Net realized and unrealized gains (losses)	<u>178,707</u>	<u>(114,760)</u>
Total investment income (loss)	<u>\$ 249,996</u>	<u>(3,459)</u>

Fair Value Hierarchy

The fair value hierarchy categorizes inputs to valuation techniques used to measure fair value into three levels. Level 1 inputs are quoted market prices for identical assets or liabilities in active markets that a government can access at the measurement date. Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for an asset or liability, directly or indirectly. Level 3 inputs are unobservable inputs. The highest priority is assigned to Level 1 inputs and the lowest to Level 3 inputs. If the fair value is measured using inputs from more than one level of the hierarchy, the measurement is considered to be based on the lowest priority input level that is significant to the entire measurement. Valuation techniques used should maximize the use of the observable inputs and minimize the use of unobservable inputs.

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

Common stocks, equities, corporate bonds and U.S Government securities: Valued at the closing price recorded on the active market on which the individual securities are traded.

Mutual Funds: Valued at the net asset value of the shares held by the Foundation at year end.

The preceding methods 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 Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine if the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

At June 30, 2016 and 2015, all investments are categorized in Level 1 of the fair value hierarchy.

BROOKDALE COMMUNITY COLLEGE FOUNDATION

(A Component Unit of Brookdale Community College)

Notes to Financial Statements

For the fiscal years ended June 30, 2016 and 2015

(5) In-Kind Contributions

The Foundation received the following in-kind contributions from Brookdale Community College that have been reflected in the nonoperating revenues and operating expenses section of the statements of revenues, expenses, and changes in net position for the years ended June 30, 2016 and 2015:

	<u>FY16</u>	<u>FY15</u>
Salary and benefits	\$ 108,976	108,300
Professional fees	10,000	10,300
Rent and utilities	<u>34,787</u>	<u>34,106</u>
	<u>\$ 153,763</u>	<u>152,706</u>

(6) Related Party Transactions

During the fiscal years 2016 and 2015, certain services and expenses are received and paid between the Foundation and the College. All such expenses are put on account and settled periodically between the two parties. As of June 30, 2016 and 2015, the Foundation was indebted to the College in the amount of \$123,316 and \$35,423, respectively, representing student scholarships and operating expenses paid by the College on behalf of the Foundation. This amount is noninterest-bearing and is payable on demand.



**Independent Auditors' Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with *Government Auditing Standards***

To the Honorable President and
Members of the Board of Trustees of
Brookdale Community College Foundation
Lincroft, New Jersey

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Brookdale Community College Foundation (the "Foundation"), which comprise the statement of net position as of June 30, 2016, and the related statement of revenues and expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements and have issued our report thereon dated September 22, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audits we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

O'Connor and Drew, P.C.

Certified Public Accountants
Braintree, Massachusetts

September 22, 2016

