

**BROOKDALE COMMUNITY
COLLEGE**
(a Component Unit of the County of Monmouth)

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

JUNE 30, 2017



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

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

June 30, 2017

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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, 2017 and 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. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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 audits. 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, 2017 and 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 21, 2017 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 Drew, P.C.

**Certified Public Accountants
Braintree, Massachusetts**

September 21, 2017

BROOKDALE COMMUNITY COLLEGE FOUNDATION

(A Component Unit of Brookdale Community College)

Management's Discussion and Analysis

For the fiscal years ended June 30, 2017 and 2016

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, 2017 and 2016.

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, 2017 with comparative information for prior periods and should be read in conjunction with the Foundation's audited financial statements and footnote disclosures.

General Financial Information

Revenue

The "Building Minds, Building Futures" campaign contributions earmarked for scholarships, programs, and special events generated revenue in FY17 totaling \$579,124 compared to \$753,408 in FY16. Special events in FY17, including the Education Open Golf Tournament, the Scholarship Ball, and the Wilbur Ray Scholarship Dinner, generated revenues of \$274,772, an increase of \$63,563 (30%) from the FY16 total of \$211,209. 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 \$50,000, \$31,071, \$20,897, \$12,250, \$10,000, \$6,800, \$6,360, \$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. A total of 21 students were enrolled in fall 2016 and 12 students were enrolled in spring 2017. Four students graduated from APHS and are now attending Brookdale. It is anticipated that the program will recruit up to 24 students for the fall 17 semester.

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 up to 25 is admitted each year until the school has 100 students in four grades. Currently, the program has approximately 83 students enrolled (freshmen through senior year). Eligible senior class students will earn their associates degree in May 2018.

BROOKDALE COMMUNITY COLLEGE FOUNDATION

(A Component Unit of Brookdale Community College)

Management's Discussion and Analysis

For the fiscal years ended June 30, 2017 and 2016

Revenue - Continued

The Foundation had investment earnings of \$455,810, an increase of \$205,814 from the FY16 total of \$249,996. 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>FY17</u>	<u>FY16</u>	<u>FY15</u>	<u>FY16/FY17 Change</u>
Special events	\$ 274,772	211,209	208,032	63,563
Contributions	304,352	542,199	298,715	(237,847)
College contributions	156,553	153,763	152,706	2,790
Investment income	<u>455,810</u>	<u>249,996</u>	<u>(3,459)</u>	<u>205,814</u>
	<u>\$ 1,191,487</u>	<u>1,157,167</u>	<u>655,994</u>	<u>34,320</u>

Total Expenses

Operating expenses in FY17 and FY16 were \$899,488 and \$752,665, respectively. The FY17 increase of \$146,823 is primarily attributable to an increase in scholarships of \$123,582, special events expenses of \$22,323, salaries and benefits of \$6,818, off-set by a decrease in other expenses of \$5,900.

Scholarships and Grants

The Foundation Board of Trustees is committed to increasing scholarships and grants. Scholarships, grants and other programs supporting students totaled \$552,963 in FY17 and \$429,381 in FY16, an increase of \$123,582 (29%). More than 600 students received scholarships and grants during FY17, 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, 2017 and 2016

Net Position

Total net position in FY17 was \$6,378,033 compared to \$6,086,034 in FY16, a 4.8% increase. Net position in FY17 increased \$291,999 and FY16 net position increased \$404,502 over FY15. In the last 15 years, net position has increased from \$1,363,653 in FY02 to \$6,378,033 in FY17, 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 FY17 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 FY17 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 FY18. The Foundation Board of Trustees has approved a capital improvement project for the College to update 21 study rooms in the Library with new carpet, paint, furniture and IT equipment. The project will be funded from the Library Endowment Fund.

**BROOKDALE COMMUNITY COLLEGE
FOUNDATION**

(a Component Unit of Brookdale Community College)

Statements of Net Position

June 30, 2017 and 2016

BROOKDALE COMMUNITY COLLEGE FOUNDATION

(A Component Unit of Brookdale Community College)

Statements of Net Position

As of June 30, 2017 and 2016

Assets	2017	2016
Current assets:		
Cash and cash equivalents	\$ 608,079	526,222
Accounts receivable and other assets	22,999	14,264
Investments (note 4)	3,436,689	3,296,542
Contribution receivable	179,319	159,365
Total current assets	<u>4,247,086</u>	<u>3,996,393</u>
Noncurrent assets:		
Cash restricted for long-term purposes	49,440	51,694
Contributions receivable	—	120,000
Endowment investments (note 4)	2,118,015	2,041,263
Total noncurrent assets	<u>2,167,455</u>	<u>2,212,957</u>
Total assets	<u>6,414,541</u>	<u>6,209,350</u>
Liabilities		
Current liabilities:		
Due to Brookdale Community College (note 6)	36,508	123,316
Total current liabilities	<u>36,508</u>	<u>123,316</u>
Net Position		
Restricted for:		
Nonexpendable:		
Scholarships	1,213,818	1,283,128
Library	953,637	902,086
Expendable:		
Scholarships	2,616,941	2,482,153
Library	524,523	369,871
Unrestricted	1,069,114	1,048,796
Total net position	<u>\$ 6,378,033</u>	<u>6,086,034</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, 2017 and 2016

	2017	2016
Operating revenues:		
Special events	\$ 274,772	211,209
Contributions	304,352	542,199
Total operating revenues	579,124	753,408
Operating expenses:		
Special events	78,817	56,494
Scholarships and grants	552,963	429,381
Salaries	151,103	145,954
Benefits	50,768	49,099
Rent and utilities	35,483	34,787
Supplies and other services	30,354	36,950
Total operating expenses	899,488	752,665
Operating income (loss)	(320,364)	743
Nonoperating revenues (expenses):		
Investment income (note 4)	455,810	249,996
Donated services from College (note 5)	156,553	153,763
Total nonoperating revenues	612,363	403,759
Increase in net position	291,999	404,502
Net position as of beginning of year	6,086,034	5,681,532
Net position as of end of year	\$ 6,378,033	6,086,034

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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Special events receipts	\$ 266,038	225,167
Contributions and pledges	404,398	335,216
Payments to suppliers	(185,981)	(81,041)
Payments for reimbursement to College	(90,800)	(95,055)
Payments for scholarships and grants	<u>(552,963)</u>	<u>(334,913)</u>
Net cash provided by (applied to) operating activities	<u>(159,308)</u>	<u>49,374</u>
Cash flows from investing activities:		
Interest and dividends on investments	85,727	71,289
Sales of investments	330,377	554,967
Purchases of investments	<u>(177,193)</u>	<u>(524,848)</u>
Net cash provided by investing activities	<u>238,911</u>	<u>101,408</u>
Net increase in cash and cash equivalents	79,603	150,782
Cash and cash equivalents at beginning of year	<u>577,916</u>	<u>427,134</u>
Cash and cash equivalents at end of year	<u>\$ 657,519</u>	<u>577,916</u>
Reconciliation of operating (loss) income to net cash (applied to) provided by operating activities:		
Operating (loss) income	\$ (320,364)	743
Adjustments to reconcile operating income (loss) to net cash provided by (applied to) operating activities		
College in-kind contribution	156,553	153,763
Change in assets and liabilities:		
Accounts receivable and other assets	(8,735)	13,958
Contributions receivable	100,046	(206,983)
Due to Brookdale Community College	<u>(86,808)</u>	<u>87,893</u>
Net cash (applied to) provided by operating activities	<u>\$ (159,308)</u>	<u>49,374</u>
Cash and cash equivalents:		
Cash and cash equivalents	\$ 608,079	526,222
Cash restricted for long-term purposes	<u>49,440</u>	<u>51,694</u>
	<u>\$ 657,519</u>	<u>577,916</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, 2017 and 2016

(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, 2017 and 2016

(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.

Income Tax Status

Accounting principles generally accepted in the United States require an entity to assess the probability that a tax position has a “more likely than not” sustainability after review by tax authorities. If a tax position is deemed not to meet this threshold, any unrecognized tax benefits and costs are estimated and recognized. Tax returns are routinely open for review by the tax authorities for three years from their due date. In certain circumstances, the statute of limitations may remain open indefinitely. As a not-for-profit entity exempt from income taxes, the Foundation may, however, be subject to tax on unrelated business income.

BROOKDALE COMMUNITY COLLEGE FOUNDATION

(A Component Unit of Brookdale Community College)

Notes to Financial Statements

For the fiscal years ended June 30, 2017 and 2016

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

Summary of Significant Accounting Policies (continued)

New Accounting Standards Pronouncements

GASB Statement 85 – *Omnibus 2017* is effective for periods beginning after June 15, 2017. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). Management has not completed its review of the requirements of this standard and its applicability.

GASB Statement 87 – *Leases* is effective for periods beginning after December 15, 2019. Implementation of this standard will require lessees to recognize on their statement of net position the rights and obligations resulting from leases categorized as operating leases as assets, liabilities, or deferred inflows / outflows of resources. It provides for an election on leases with terms of less than twelve months to be excluded from this Standard. Management is in the process of evaluating this standard and has not yet determined its impact on the financial statements.

Reclassification

Certain amounts in the financial statements as of June 30, 2016 have been reclassified to conform to the presentation as of June 30, 2017.

(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. As of June 30, 2017 and 2016, \$548,243 and \$355,803 was exposed to custodial risk, respectively.

(3) Cash Restricted for Long-Term Purposes

Cash restricted for long-term purposes consists of \$49,440 and \$51,694 as of June 30, 2017 and 2016, 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 monitors the investment maturities of bond investments as a means of managing its exposure to fair value losses arising from increasing interest rates.

BROOKDALE COMMUNITY COLLEGE FOUNDATION

(A Component Unit of Brookdale Community College)

Notes to Financial Statements

For the fiscal years ended June 30, 2017 and 2016

(4) Investments (continued)

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.

Foreign Currency Credit Risk

As of June 30, 2017 and 2016 the Foundation's exposure to foreign current risk is as follows:

<u>Investment</u>	<u>Currency</u>	<u>Maturity</u>	<u>FY 17 Fair Value</u>	<u>Rating</u>
Royal Bank of Canada	Canadian dollar	10/13/2017	\$ 5,000	AA-
Medtronic Global Holdings	European euro	4/1/2027	<u>12,235</u>	A
			\$ <u>17,235</u>	
<u>Investment</u>	<u>Currency</u>	<u>Maturity</u>	<u>FY 16 Fair Value</u>	<u>Rating</u>
Bank of Montreal	Canadian dollar	1/25/2019	\$ 24,629	A+

Concentration of Credit Risk

The Foundation does not place a limit on the amount that may be invested in any one issuer. No investment exceeded 5% or more of the total investment balance for the years ended June 30, 2017 and 2016.

The risk categories for the bond fund holdings held by the Foundation as of June 30, 2017 and 2016, are as follows:

<u>Investment rating*</u>	<u>FY17</u>	<u>FY16</u>
AAA	\$ 308,522	438,452
AA+	239,183	281,113
AA	19,881	47,759
AA-	89,690	38,332
A+	62,008	168,172
A	84,247	162,520
A-	206,475	383,175
BBB+	372,781	50,577
BBB	85,382	15,750
BBB-	58,181	—
BB+	<u>38,324</u>	<u>25,000</u>
	\$ <u>1,564,674</u>	<u>1,610,851</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

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Notes to Financial Statements

For the fiscal years ended June 30, 2017 and 2016

(4) Investments (continued)

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

2017					
<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	\$ 993,337	138,599	280,564	421,914	152,260
Government bonds	501,917	-	244,666	143,690	113,561
Municipal bonds	52,185	-	-	24,931	27,254
Foreign bonds	17,235	-	5,000	-	12,235
	<u>1,564,674</u>	<u>138,599</u>	<u>530,230</u>	<u>590,535</u>	<u>305,310</u>
Mutual funds	9,930				
Preferred stock	138,851				
Equities	<u>3,841,249</u>				
	<u>\$ 5,554,704</u>				
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	\$ 917,712	37,278	394,076	349,966	136,392
Government bonds	650,281	31,022	423,558	78,445	117,256
Municipal bonds	18,230	-	-	-	18,230
Foreign bonds	24,629	-	24,629	-	-
	<u>1,610,851</u>	<u>68,300</u>	<u>842,262</u>	<u>428,411</u>	<u>271,878</u>
Mutual funds	9,964				
Preferred stock	138,596				
Equities	<u>3,578,394</u>				
	<u>\$ 5,337,805</u>				

BROOKDALE COMMUNITY COLLEGE FOUNDATION

(A Component Unit of Brookdale Community College)

Notes to Financial Statements

For the fiscal years ended June 30, 2017 and 2016

(4) Investments (continued)

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

	<u>2017</u>	<u>2016</u>
Investment income	\$ 85,727	71,289
Net realized and unrealized gains	<u>370,083</u>	<u>178,707</u>
Total investment income	<u>\$ 455,810</u>	<u>249,996</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, 2017 and 2016.

Common stocks, preferred stocks, equities, corporate bonds, municipal bonds, foreign 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, 2017 and 2016, 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, 2017 and 2016

(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, 2017 and 2016:

	<u>FY17</u>	<u>FY16</u>
Salary and benefits	\$ 111,070	108,976
Professional fees	10,000	10,000
Rent and utilities	<u>35,483</u>	<u>34,787</u>
	<u>\$ 156,553</u>	<u>153,763</u>

(6) Related Party Transactions

During the fiscal years 2017 and 2016, certain services and expenses were 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, 2017 and 2016, the Foundation was indebted to the College in the amount of \$36,508 and \$123,216, 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, 2017 and 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 21, 2017.

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.

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 21, 2017