

The County College of Monmouth



BROOKDALE COMMUNITY COLLEGE



Report on Financial Statement Audit

Fiscal Year Ended June 30, 2013

**Annual
Financial Report**

of

Brookdale Community College

For the Year Ended June 30, 2013

Prepared by

Brookdale Community College

Finance Department

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

To the Honorable President and Members of the Board of Trustees of
Brookdale Community College

Report on the Financial Statements

We have audited the accompanying statements of net position of the business-type activities and the discretely presented component unit of Brookdale Community College (the "College") (A Component Unit of the County of Monmouth), as of June 30, 2013 and 2012, and the related statements of revenues, expenses, and changes in net position, and cash flows for each of the years then ended, and the related notes to the financial statements, which collectively comprise the College's basic 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the provisions of U.S. Office of Management and Budget ("OMB") Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and State of New Jersey OMB Circular 04-04 *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards and provisions require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the College'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 College'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 on the previous page present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the College as of June 30, 2013 and 2012, and the respective changes in financial position, and where applicable, cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Adoption of New Accounting Pronouncements

As discussed in Note 1 to the financial statements, in 2013, the College adopted Governmental Accounting Standards Board (“GASB”) Statement No. 61, *The Financial Reporting Entity: Omnibus - An Amendment to GASB Statements No. 14 and No. 34*. Our opinions are not modified with respect to these matters.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of expenditures of federal and State of New Jersey awards on pages 36 and 37 are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and New Jersey OMB Circular 04-04 *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* and are not required parts of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of expenditures of federal and State of New Jersey awards are fairly stated in all material respects in relation to the financial statements as a whole.

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis 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 the 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 audits 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 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 December 19, 2013 on our consideration of the College'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 College's internal control over financial reporting and compliance.

The image shows a handwritten signature in black ink that reads "EisnerAmper LLP". The signature is written in a cursive, flowing style.

Jenkintown, Pennsylvania
December 19, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Management’s Discussion and Analysis
For the fiscal years ended June 30, 2013 and 2012

Management’s Discussion and Analysis (“MD&A”) presents the financial performance of Brookdale Community College (the “College”) during the fiscal years ended June 30, 2013 and 2012. This MD&A will provide various financial analyses comparing fiscal year 2013 to fiscal year 2012, as well as fiscal year 2011 activity.

Enrollment

The College enrollment is comprised of credit and noncredit full-time equated (“FTE”) students. A full-time equated student represents a student or combination of students taking thirty (30) credits.

	<u>2013</u>	<u>2012</u>	<u>2011</u>	Change 2012-2013
Credit FTEs	\$ 10,814	11,186	11,992	(372)
Noncredit FTEs	<u>680</u>	<u>726</u>	<u>707</u>	<u>(46)</u>
Total FTEs	<u>\$ 11,494</u>	<u>11,912</u>	<u>12,699</u>	<u>(418)</u>

Full-time equated enrollment for credit and noncredit enrollment in fiscal year 2013 was 11,494, compared to fiscal year 2012 FTE enrollment of 11,912. This represents a 3.5 percent decrease.

- Credit enrollment decreased from 11,186 FTEs in fiscal year 2012 to 10,814 FTEs in fiscal year 2013, which represents a 3.3 percent decrease.
- Noncredit enrollment decreased from 726 FTEs in fiscal year 2012 to 680 FTEs in fiscal year 2013, which represents a 6.3 percent decrease.

General Financial Information

The College’s basic financial statements include a statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows. The financial statements are prepared in accordance with the accounting principles established by the Governmental Accounting Standards Board (“GASB”).

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Management's Discussion and Analysis
For the fiscal years ended June 30, 2013 and 2012

Financial Highlights

Condensed Schedule of Net Position

The following represents assets, liabilities and net position of the College as of June 30, 2013, 2012 and 2011:

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>Change 2012-2013</u>
Current assets	\$ 29,988,649	38,124,929	38,960,780	(8,136,280)
Noncurrent assets:				
Capital assets	<u>152,131,832</u>	<u>155,694,160</u>	<u>159,138,902</u>	<u>(3,562,328)</u>
Total assets	<u>\$ 182,120,481</u>	<u>193,819,089</u>	<u>198,099,682</u>	<u>(11,698,608)</u>
Current liabilities	\$ 14,448,644	15,236,168	14,828,402	(787,524)
Noncurrent liabilities	<u>42,541,792</u>	<u>43,846,077</u>	<u>45,610,000</u>	<u>(1,304,285)</u>
Total liabilities	<u>\$ 56,990,436</u>	<u>59,082,245</u>	<u>60,438,402</u>	<u>(2,091,809)</u>
Net position:				
Invested in capital assets, net of related debt	\$ 100,592,243	104,154,570	107,599,312	(3,562,327)
Restricted	—	—	777,656	—
Unrestricted	<u>24,537,805</u>	<u>30,582,274</u>	<u>30,074,071</u>	<u>(6,044,469)</u>
Total net position	<u>\$ 125,130,048</u>	<u>134,736,844</u>	<u>138,451,039</u>	<u>(9,606,796)</u>

Current assets decreased by \$8,136,278, primarily due to a reduction in cash and cash equivalents. The decrease in capital assets, net of accumulated depreciation, is attributed to net additions of \$2,025,859, less depreciation of \$5,588,187. Bond principal payments resulted in a decrease to the College's long-term debt.

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Management's Discussion and Analysis
For the fiscal years ended June 30, 2013 and 2012

Capital asset activity for the fiscal year ended June 30, 2013 was as follows:

	<u>2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>2013</u>
Land	\$ 5,882,462	—	—	5,882,462
Building and improvements	224,203,487	1,774,852	—	225,978,339
Furniture and equipment	<u>8,442,093</u>	<u>377,869</u>	<u>(126,862)</u>	<u>8,693,100</u>
Total	238,528,042	2,152,721	(126,862)	240,553,901
Less accumulated depreciation	<u>(82,833,882)</u>	<u>(5,715,049)</u>	<u>126,862</u>	<u>(88,422,069)</u>
Capital assets, net	<u>\$ 155,694,160</u>	<u>(3,562,328)</u>	<u>—</u>	<u>152,131,832</u>

Capital improvement projects at the Performing Arts Center, the Long Branch Higher Education Center and the Center for Holocaust, Human Rights & Genocide Education made up the majority of additions to buildings and building improvements. The College annually contracts with American Appraisal Associates, who provides the College with a detailed report on capital assets, related additions, retirements, and depreciation.

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Management's Discussion and Analysis
For the fiscal years ended June 30, 2013 and 2012

Summary of Revenues, Expenses, and Changes in Net Position

The College receives its revenue from three main sources: Tuition and Fees, State Aid, and County support. The balance of revenue was received from miscellaneous sources, which include Business and Community Development Grants, Investment Income, Other Fees, and Other Income.

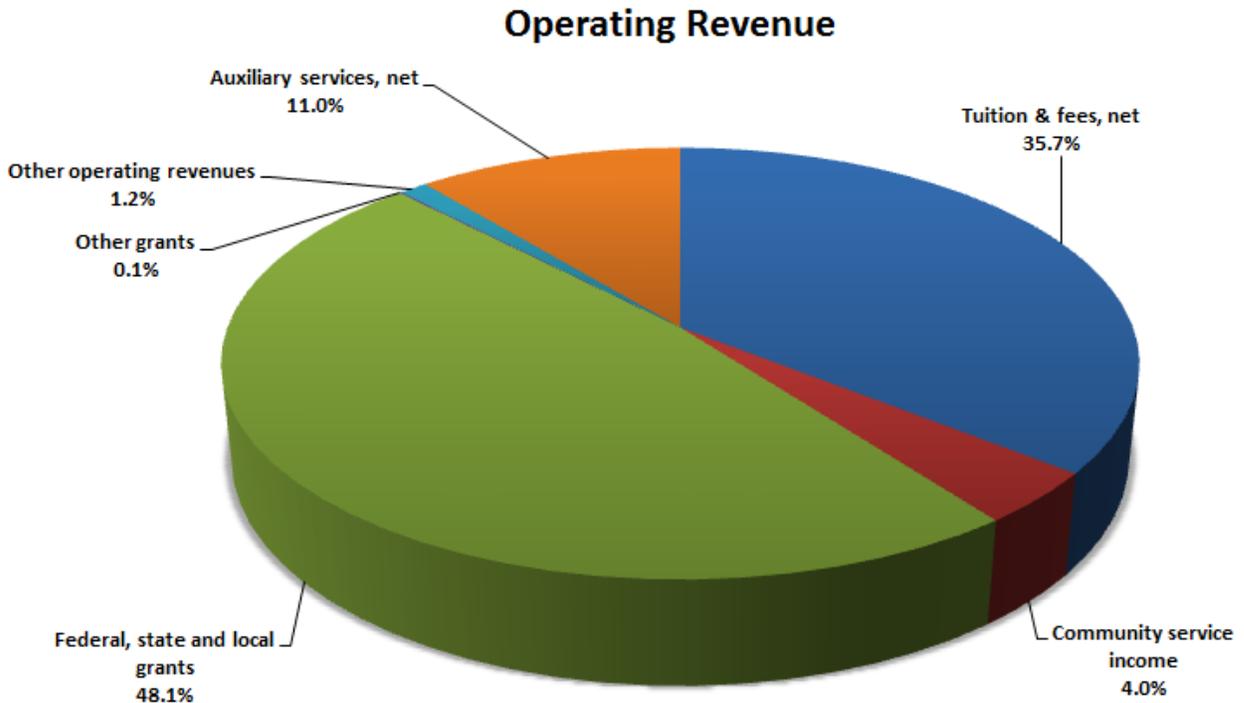
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>Change 2012-2013</u>
Operating revenues:				
Tuition, net	\$ 20,625,984	20,226,466	21,736,286	399,518
Fees	6,170,357	6,475,303	6,840,631	(304,946)
Chargebacks to other counties	334,283	451,489	430,054	(117,206)
Community service income	3,000,400	2,887,310	3,008,326	113,090
Federal, state and local grants	36,511,402	39,750,370	41,074,469	(3,238,968)
Other grants	70,632	107,290	82,889	(36,658)
Other operating revenues	886,414	956,364	879,883	(69,950)
Auxiliary services, net	8,340,668	8,435,552	9,287,354	(94,884)
Total operating revenues	<u>75,940,140</u>	<u>79,290,144</u>	<u>83,339,892</u>	<u>(3,350,004)</u>
Operating expenses	<u>119,224,224</u>	<u>117,301,967</u>	<u>123,947,921</u>	<u>1,922,257</u>
Operating loss	<u>(43,284,084)</u>	<u>(38,011,823)</u>	<u>(40,608,029)</u>	<u>(5,272,261)</u>
Nonoperating revenues (expenses):				
State appropriations	10,417,121	10,660,107	10,685,964	(242,986)
Local appropriations	21,456,909	21,938,717	27,456,909	(481,808)
Investment income	152,299	171,358	268,656	(19,059)
Other nonoperating revenues	3,936,508	4,278,262	4,822,875	(341,754)
Other nonoperating expenses	(217,338)	(254,985)	(703,081)	37,647
Bond issuance expense	—	(274,961)	—	274,961
Interest expense	(2,068,211)	(2,220,870)	(2,323,792)	152,659
Net nonoperating revenues	<u>33,677,288</u>	<u>34,297,628</u>	<u>40,207,531</u>	<u>(620,340)</u>
Loss before other revenues	(9,606,796)	(3,714,195)	(400,498)	(5,892,601)
Other revenues:				
Capital appropriations	<u>—</u>	<u>—</u>	<u>4,568,202</u>	<u>—</u>
Increase (decrease) in net position	(9,606,796)	(3,714,195)	4,167,704	(5,892,601)
Net position as of beginning of year	<u>134,736,844</u>	<u>138,451,039</u>	<u>134,283,335</u>	<u>(3,714,195)</u>
Net position as of end of year	<u>\$ 125,130,048</u>	<u>134,736,844</u>	<u>138,451,039</u>	<u>(9,606,796)</u>

(Continued)

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Management’s Discussion and Analysis
For the fiscal years ended June 30, 2013 and 2012

Revenue

The College charged \$115.50 and \$118.50 per student credit hour (“SCH”) to a maximum of \$1,732.50 and \$1,777.50 per term in fiscal years 2013 and 2012, respectively. In addition, the College charges a General Service Fee of 24% of tuition, or \$27.72 and \$28.44 per student credit hour to a maximum of \$415.80 and \$426.60, respectively, during the same periods. These fees help fund technology enhancements, student life and activities, capital improvements and debt service obligations.



Tuition, fee, and chargeback revenue decreased by \$2,485,477; this decrease was offset by scholarship allowances of \$2,462,843, for an overall net decrease of \$22,634. Both lower enrollment and the reduction in tuition, which also impacts general service fees, account for the lower revenue figures.

The bookstore, event management and dining services, whose operations make up the main components of the College’s Auxiliary Services, experienced a \$94,884 decrease in revenue, which is net scholarship allowance. Dining Services has historically been supported by College contributions; in an effort to reduce costs, effective July 1, 2013, the dining service operation was outsourced to a third party service provider.

Non-operating revenues

State aid decreased by \$242,986 due to a reallocation of funding to the 19 community colleges based on audited FY12 enrollment data. Overall State aid funding to the sector remained flat in FY13.

Total County aid decreased by \$481,808, as the result of a decrease in minor capital support, and investment income decreased by \$19,059 a combination of lower average cash and cash equivalent balances and nominal interest rates.

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BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Management's Discussion and Analysis
For the fiscal years ended June 30, 2013 and 2012

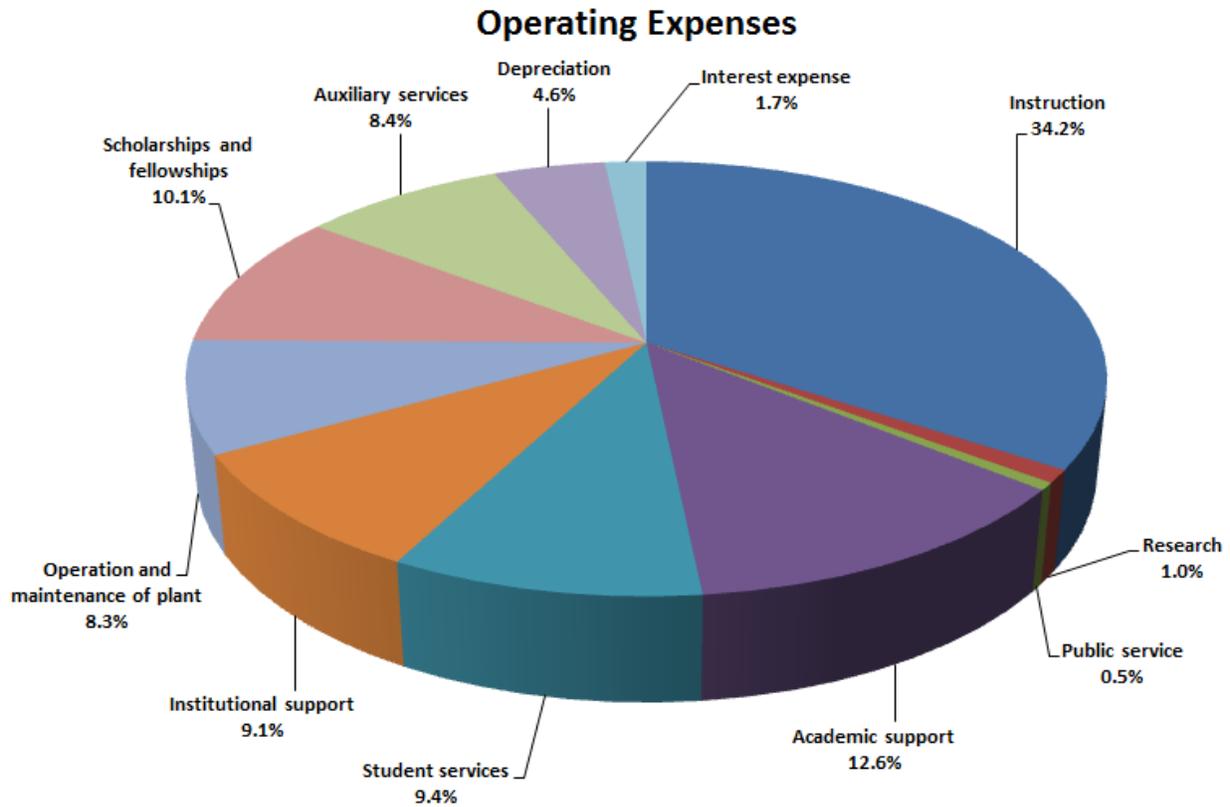
Expenses

Operating expenses are those expenses paid by the College to acquire or produce goods and services to fulfill its mission. Naturally, the majority of expense can be attributed to the College's core mission – student success. The College had total operating and interest expenses of \$121,292,435 in 2013 compared with \$119,522,837 in 2012. The College's operating expenses by functional classification for June 2013, 2012 and 2011 were:

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>Change 2012-2013</u>
Operating expenses:				
Instruction	\$ 41,509,176	41,479,280	43,045,236	29,896
Research	1,164,037	1,115,066	1,054,022	48,971
Public service	666,969	1,018,541	1,585,453	(351,572)
Academic support	15,302,941	14,721,301	15,479,428	581,640
Student services	11,402,603	11,070,842	10,859,426	331,761
Institutional support	11,068,248	10,217,594	12,200,968	850,654
Operation and maintenance of plant	10,085,169	9,564,744	11,130,332	520,425
Scholarships and fellowships	12,274,160	12,989,551	13,064,194	(715,391)
Auxiliary services	10,162,734	9,489,438	10,661,006	673,296
Depreciation	5,588,187	5,635,610	4,867,856	(47,423)
Total operating expenses	119,224,224	117,301,967	123,947,921	1,922,257
Interest expense	2,068,211	2,220,870	2,323,792	(152,659)
Total operating and interest expenses	\$ <u>121,292,435</u>	<u>119,522,837</u>	<u>126,271,713</u>	<u>1,769,598</u>

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BROOKDALE COMMUNITY COLLEGE
 (A Component Unit of the County of Monmouth)
 Management's Discussion and Analysis
 For the fiscal years ended June 30, 2013 and 2012



Operating expenses increased \$1,922,257 in fiscal 2013 over fiscal 2012. The College continues to focus on ways to reduce expenditures, in an effort to decrease reliance on self-funding the annual budget. Campus-wide savings were realized through strategic realignment of personnel following staff retirements and resignations, offset by increases to the cost of health benefits and pension obligations.

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Management's Discussion and Analysis
For the fiscal years ended June 30, 2013 and 2012

Summary of Net Position

The College had the following net position as of June 30:

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>Change 2012-2013</u>
Net position:				
Unrestricted	\$ 24,537,805	30,582,274	30,074,071	(6,044,469)
Restricted expended	—	—	777,656	—
Investment in capital assets	<u>100,592,243</u>	<u>104,154,570</u>	<u>107,599,312</u>	<u>(3,562,327)</u>
Total net position	<u>\$ 125,130,048</u>	<u>134,736,844</u>	<u>138,451,039</u>	<u>(9,606,796)</u>

Other Information

Projects in Process

During fiscal year 2013, the College began renovations of Gorman Hall, the College's information technology data center and administration building, which are expected to be completed during fiscal year 2014 at an approximate cost of \$3,775,000.

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BASIC FINANCIAL STATEMENTS

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Statements of Net Position
As of June 30, 2013 and 2012

Assets	Brookdale Community College		Brookdale Community College Foundation	
	2013	2012	2013	2012
Current assets:				
Cash and cash equivalents (notes 1 and 2)	\$ 11,221,629	14,292,794	3,608,661	1,818,225
Short-term investments (note 2)	14,000,000	18,000,000	830,599	1,149,594
Accounts receivable, net of allowance of \$1,226,774 in 2013 and \$1,690,041 in 2012 (note 3)	3,027,320	3,354,941	61,119	463,207
Inventories	976,093	1,059,081	—	—
Prepaid expenses	713,938	1,360,721	—	—
Accrued interest receivable	49,669	57,392	—	—
Total current assets	<u>29,988,649</u>	<u>38,124,929</u>	<u>4,500,379</u>	<u>3,431,026</u>
Noncurrent assets:				
Endowment investments (note 2)	—	—	1,394,771	1,580,693
Capital assets, net of accumulated depreciation of \$88,422,069 in 2013 and \$82,833,882 in 2012 (note 5)	152,131,832	155,694,160	—	—
Total noncurrent assets	<u>152,131,832</u>	<u>155,694,160</u>	<u>1,394,771</u>	<u>1,580,693</u>
Total assets	<u>182,120,481</u>	<u>193,819,089</u>	<u>5,895,150</u>	<u>5,011,719</u>
Liabilities				
Current liabilities:				
Accounts payable and accrued expenses (notes 4 and 9)	10,330,722	11,235,616	230,093	112,600
Deferred student tuition and fees	2,701,084	2,557,846	—	—
Deferred grant revenue	121,838	112,706	—	—
Deposits held for others	—	—	4,438	4,605
Long-term debt, current portion (note 6)	1,295,000	1,330,000	—	—
Total current liabilities	<u>14,448,644</u>	<u>15,236,168</u>	<u>234,531</u>	<u>117,205</u>
Noncurrent liabilities:				
Long-term debt (note 6)	42,541,792	43,846,077	—	—
Total liabilities	<u>56,990,436</u>	<u>59,082,245</u>	<u>234,531</u>	<u>117,205</u>
Net Position				
Invested in capital assets, net of related debt	100,592,243	104,154,570	—	—
Restricted:				
Nonexpendable:				
Scholarships	—	—	1,164,561	1,132,579
Library	—	—	899,727	872,649
Expendable:				
Scholarships	—	—	1,091,245	944,800
Other	—	—	813,437	—
Unrestricted (note 7)	24,537,805	30,582,274	1,691,649	1,944,486
Total net position	<u>\$ 125,130,048</u>	<u>134,736,844</u>	<u>5,660,619</u>	<u>4,894,514</u>

See accompanying notes to financial statements

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Statements of Revenues, Expenses, and Changes in Net Position
For the fiscal years ended June 30, 2013 and 2012

	Brookdale Community College		Brookdale Community College Foundation	
	2013	2012	2013	2012
Operating revenues:				
Student revenues:				
Tuition, net of scholarship allowances of \$18,986,847 for 2013 and \$21,449,690 for 2012	\$ 20,625,984	20,226,466	—	—
Chargebacks to other counties	334,283	451,489	—	—
	<u>20,960,267</u>	<u>20,677,955</u>	<u>—</u>	<u>—</u>
Auxiliary services, net of scholarships of \$2,018,772 for 2013 and \$2,130,023 for 2012	8,340,668	8,435,552	—	—
Fees	6,170,357	6,475,303	—	—
Net student revenues	35,471,292	35,588,810	—	—
Community service income	3,000,400	2,887,310	—	—
Federal grants	31,540,577	34,359,749	—	—
State grants	4,549,281	5,007,523	—	—
Local grants	421,544	383,098	—	—
Other grants	70,632	107,290	—	—
Special events	—	—	226,636	343,827
Other operating revenues	886,414	956,364	30,207	31,151
Total operating revenues	<u>75,940,140</u>	<u>79,290,144</u>	<u>256,843</u>	<u>374,978</u>
Operating expenses:				
Instruction	41,509,176	41,479,280	—	—
Research	1,164,037	1,115,066	—	—
Public service	666,969	1,018,541	—	—
Academic support	15,302,941	14,721,301	—	—
Student services	11,402,603	11,070,842	—	—
Institutional support	11,068,248	10,217,594	543,213	452,343
Operation and maintenance of plant	10,085,169	9,564,744	—	—
Scholarships and fellowships	12,274,160	12,989,551	382,508	327,856
Auxiliary services	10,162,734	9,489,438	—	—
Depreciation	5,588,187	5,635,610	—	—
Total operating expenses	<u>119,224,224</u>	<u>117,301,967</u>	<u>925,721</u>	<u>780,199</u>
Operating loss	<u>(43,284,084)</u>	<u>(38,011,823)</u>	<u>(668,878)</u>	<u>(405,221)</u>
Nonoperating revenues (expenses):				
State appropriations	10,417,121	10,660,107	—	—
Local appropriations	21,456,909	21,938,717	—	—
Contributions	—	—	1,244,799	815,011
Investment income	152,299	171,358	213,025	68,436
Other nonoperating revenues	3,936,508	4,278,262	—	8,394
Other nonoperating expenses	(217,338)	(254,985)	(22,841)	—
Interest expense	(2,068,211)	(2,220,870)	—	—
Bond issuance expense	—	(274,961)	—	—
On-behalf payments - alternate benefit program:				
Revenues	2,293,452	2,066,580	—	—
Expenses	(2,293,452)	(2,066,580)	—	—
Net nonoperating revenues	<u>33,677,288</u>	<u>34,297,628</u>	<u>1,434,983</u>	<u>891,841</u>
Increase (decrease) in net position	(9,606,796)	(3,714,195)	766,105	486,620
Net position as of beginning of year	134,736,844	138,451,039	4,894,514	4,407,894
Net position as of end of year	<u>\$ 125,130,048</u>	<u>134,736,844</u>	<u>5,660,619</u>	<u>4,894,514</u>

See accompanying notes to financial statements

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Statements of Cash Flows
For the fiscal years ended June 30, 2013 and 2012

	Brookdale Community College		Brookdale Community College Foundation	
	2013	2012	2013	2012
Cash flows from operating activities:				
Student tuition and fees (including chargebacks to other counties)	\$ 27,581,527	27,333,990	—	—
Noncredit revenue	2,952,133	2,733,440	—	—
Grants and contracts	36,502,457	39,515,680	—	—
Grant payments	(36,582,033)	(39,857,660)	—	—
Payments to suppliers	(762,816)	3,280,908	(254,745)	(224,075)
Payments to employees	(53,887,774)	(52,695,876)	(320,860)	(280,131)
Payments for scholarships and fellowships	(12,274,160)	(13,317,407)	(382,508)	(327,856)
Auxiliary services:				
Bookstore and dining services receipts	8,113,123	8,358,558	—	—
Bookstore and dining services payments	(7,902,696)	(7,467,839)	—	—
Other auxiliary services payments	(1,990,800)	(1,547,446)	—	—
Contributions and pledges	—	—	1,645,566	726,506
Special events receipts	—	—	227,957	336,367
Other operating receipts	886,414	956,364	30,040	28,241
Net cash provided by (used in) operating activities	<u>(37,364,625)</u>	<u>(32,707,288)</u>	<u>945,450</u>	<u>259,052</u>
Cash flows from noncapital financing activities:				
State appropriations	10,417,121	10,660,107	—	—
Local appropriations	21,456,909	21,938,717	—	—
Contributions	—	—	149,885	101,707
Net cash provided by noncapital financing activities	<u>31,874,030</u>	<u>32,598,824</u>	<u>149,885</u>	<u>101,707</u>
Cash flows from capital financing activities:				
Costs from issuance of debt	—	7,731,116	—	—
Payments on capital debt	(1,339,287)	(820,000)	—	—
Defeased bonds	—	(8,840,000)	—	—
Capital appropriations	3,719,170	4,023,277	—	—
Interest paid on capital debt	(2,007,767)	(2,357,528)	—	—
Purchases of capital assets	(2,112,708)	(2,452,960)	—	—
Deposits held with trustees	—	813,609	—	—
Net cash used in capital financing activities	<u>(1,740,592)</u>	<u>(1,902,486)</u>	<u>—</u>	<u>—</u>
Cash flows from investing activities:				
Proceeds from sales and maturities of investments	29,221,629	27,292,794	650,636	80,937
Interest and dividends on investments	160,022	185,596	119,853	60,133
Purchases of investments	(25,221,629)	(32,292,794)	(75,388)	(156,612)
Net cash provided by (used in) investing activities	<u>4,160,022</u>	<u>(4,814,404)</u>	<u>695,101</u>	<u>(15,542)</u>
Net increase (decrease) in cash and cash equivalents	(3,071,165)	(6,825,354)	1,790,436	345,217
Cash and cash equivalents as of beginning of year	14,292,794	21,118,148	1,818,225	1,473,008
Cash and cash equivalents as of end of year	<u>\$ 11,221,629</u>	<u>14,292,794</u>	<u>3,608,661</u>	<u>1,818,225</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ (43,284,084)	(38,011,823)	426,036	308,083
Adjustments to reconcile operating income (loss) to net cash (used in) provided by operating activities:				
Depreciation expense	5,588,187	5,635,610	—	—
Changes in assets and liabilities:				
Grants and other receivables	327,621	(635,005)	1,321	(7,460)
Contributions receivable	—	—	400,767	(88,505)
Inventories	82,988	401,834	—	—
Prepaid expenses	646,783	(794,419)	—	—
Accounts payable and accrued expenses	(878,490)	836,705	—	—
Due to Brookdale Community College	—	—	117,493	49,844
Deposits held in custody of others	—	—	(167)	(2,910)
Deferred student tuition and fees	143,238	(20,187)	—	—
Deferred grant revenue	9,132	(120,003)	—	—
Net cash provided by (used in) operating activities	<u>\$ (37,364,625)</u>	<u>(32,707,288)</u>	<u>945,450</u>	<u>259,052</u>

See accompanying notes to financial statements

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Notes to Financial Statements
For the fiscal years ended June 30, 2013 and 2012

(1) Organization and Summary of Significant Accounting Policies

Organization

Brookdale Community College (the “College”) was established in 1967 as a unit of the New Jersey Master Plan for Higher Education and became part of a statewide network of 19 county colleges. The College offers pre-baccalaureate preparation (A.S. and A.A. degrees) as well as programs and certificates which are designed to prepare students for employment (A.A.S. degrees). The College also maintains a comprehensive Outreach, Business and Community Development operation which provides lifelong learning opportunities to the citizens and businesses of the County of Monmouth (the “County”). The College opened its doors to students on September 29, 1969.

The work of the College is centered on the main campus in Lincroft, New Jersey, on the site of the former Brookdale Farm. The main campus is spread across more than 200 acres of woodlands and rolling hills and includes 27 buildings comprised of classrooms, library, theatre/auditorium, student center, bookstore, sports arena, dining services, administrative offices, maintenance shop, day care center, and the Monmouth Museum.

The College also operates the Brookdale at Freehold Campus, as well as three Higher Education Centers (“HECs”) located throughout the County in Neptune, Long Branch, Hazlet and Wall. Offerings at these sites include GED preparation, Adult Basic Education, English as a Second Language, and a variety of credit courses. The College provided certain programs on-site at local military installations at Fort Monmouth and Sandy Hook; those offerings sunset in September 2012. Additionally, the College leads the Communiversity, an alliance of six New Jersey higher education institutions offering select associate, bachelors and masters degree programs in the County.

Financial Reporting and Summary of Significant Accounting Policies

Component Unit

The College organized Brookdale Community College Foundation (the “Foundation”), a legally separate component unit, in 1973, under the laws of the State of New Jersey, for the sole benefit of the College, faculty, and students. 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 Foundation’s efforts benefit the College 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. The financial statement of the Brookdale Community College Foundation is presented discretely in the College’s financial statements because of the nature and significance of its relationship with the College, including its ongoing financial support of the College. Copies of the Foundation’s financial statements can be obtained by writing to Brookdale Community College Foundation, Lincroft, New Jersey.

New Accounting Standards Adopted

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus* (“GASB 61”), effective for the College’s fiscal year beginning July 1, 2011. This Statement modifies the existing requirements for the assessment of component units that should be included in the financial statements of the College. The objective is to improve financial reporting for a governmental financial reporting entity. GASB 61 is effective for the College’s fiscal year 2013 financial statements and is being applied retroactively to fiscal year 2012, resulting in a restatement of net position as of July 1, 2012.

(Continued)

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Notes to Financial Statements
For the fiscal years ended June 30, 2013 and 2012

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

Financial Reporting and Summary of Significant Accounting Policies (continued)

New Accounting Standards Adopted (continued)

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* (“GASB 62”), incorporates into the GASB’s authoritative literature certain accounting and financial reporting guidance included in the FASB pronouncements, which does not conflict with or contradict GASB pronouncements, and eliminates the criteria to apply post-November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements. Implementation of GASB 62 had no effect on the College’s net position or changes in net position for the years ended June 30, 2013 and 2012.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (“GASB 63”), establishes a new statement of net position format that reports separately all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position (which is the net residual amount of the other elements). GASB 63 requires deferred outflows of resources and deferred inflows of resources to be reported separately from assets and liabilities. The financial reporting impact resulting from the implementation of GASB 63 in the College’s financial statements was the renaming of “Net Assets” to “Net Position,” including changing the name of the financial statement from “Statement of Net Assets” to “Statement of Net Position.”

(Continued)

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Notes to Financial Statements
For the fiscal years ended June 30, 2013 and 2012

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

Financial Reporting and Summary of Significant Accounting Policies (continued)

Basis of Accounting and Measurement Focus

The accompanying financial statements have been prepared on the accrual basis of accounting using the economic resources measurement focus. The College 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 College classifies its resources into three net position categories:

- *Invested in capital assets, net of related debt:* Capital assets, net of accumulated depreciation, and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.
- *Restricted:*
 - Nonexpendable* – Net position subject to externally-imposed stipulations that must be maintained permanently.
 - Expendable* – Net position whose use by the College is subject to externally-imposed stipulations that can be fulfilled by actions of the College 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 or the Board of Trustees or may otherwise be limited by contractual agreements with outside parties. 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 College's policy is to first apply the expense towards restricted resources and then towards unrestricted resources.

Other

Other significant accounting policies followed in the preparation of the accompanying financial statements are outlined below:

- (a) Cash and cash equivalents consist of cash on deposit with banks and money market funds with an original maturity of three months or less.
- (b) Inventories consist of food service items, books, clothing, and other bookstore merchandise and are recorded at the lower of cost or market using the average cost.
- (c) Investments are stated at fair value, which is based upon quoted market prices, and consist of certificates of deposit, equities, bonds and notes, and mutual funds. Interest, dividends and change in the fair value of investments are reported as investment income on the statements of revenues, expenses and changes in net position.

(Continued)

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Notes to Financial Statements
For the fiscal years ended June 30, 2013 and 2012

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

Financial Reporting and Summary of Significant Accounting Policies (continued)

Other (continued)

- (d) Capital assets are recorded at historical cost and include land, buildings and building improvements and furniture and equipment over \$5,000. The costs of normal maintenance and repairs that do not add value to the asset are not capitalized. Major outlays for capital assets are capitalized as the projects are constructed and transferred to the appropriate asset category upon completion. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	Useful Lives
Buildings and building improvements	10 - 45 years
Furniture and equipment	5 - 10 years

- (e) The County of Monmouth is generally responsible for the issuance of bonds and notes for the College's capital expenditures which are financed by County bond ordinances; unexpended bond ordinances are available for capital expenditures in subsequent years. The County is also responsible for the payment of interest on this issued debt and the retirement of such obligations. Accordingly, this debt is reported in the financial statements of the County of Monmouth and is not included in the accompanying financial statements of the College. However, The Monmouth County Improvement Authority has issued Lease Revenue Bonds for which the College is responsible for future debt service payments (see note 6).
- (f) Student tuition and fees and auxiliary services are presented net of scholarships applied to student accounts and are recognized in the periods earned. Other payments made directly to students are presented as scholarship expense. Student tuition and fees collected for courses that are held subsequent to year-end are recorded as deferred student tuition and fees.
- (g) Grants receivable represent amounts awarded to, but not yet received by, the College. Revenues are recognized as the grants are expended. Amounts received from grants which have not yet been earned under the terms of the agreements are recorded as deferred grant revenue.
- (h) Revenue from state and County appropriations is recognized in the fiscal years during which the State of New Jersey and County of Monmouth appropriate the funds to the College.
- (i) Accounts receivable are reported at net realizable value. Accounts are written off when they are determined to be uncollectible based upon management's assessment of individual accounts. The allowance for doubtful accounts is estimated based on the College's historical losses and periodic review of individual accounts.
- (j) Auxiliary services expenses include direct and indirect administration and general costs related to their operations.

(Continued)

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Notes to Financial Statements
For the fiscal years ended June 30, 2013 and 2012

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

Financial Reporting and Summary of Significant Accounting Policies (continued)

Other (continued)

- (k) Chargebacks to other counties represent the amount the College charges the counties in which out-of-county students reside for their portion of the College's operating expenses, as provided by the criteria and procedures specified in the Statement of Auditing and Accounting Standards for County Colleges recommended by the Council of County Colleges and for use by the Department of Treasury pursuant to New Jersey Statutes Annotated ("N.J.S.A.") 18A:64A-22 and 29.
- (l) The College receives appropriations from the State of New Jersey and the County of Monmouth. The College is economically dependent on these appropriations to carry on its operations and is considered to be a component unit of the County of Monmouth.
- (m) 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 disclosed.

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.
- (n) The College's policy defines operating activities in the statements of revenues, expenses, and changes in net position as those that serve the College's principal purpose and generally result from exchange transactions such as payments received for services and payments made for the purchase of goods and services. Examples include (1) student tuition and fees, net of scholarship allowances, (2) sales and services of auxiliary services and (3) most federal, state, and local grants and contracts. Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as operating appropriations from the State of New Jersey and County of Monmouth, contributions and investment income.
- (o) The College is exempt from federal income taxes under Internal Revenue Code Section 115. The Foundation is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3).
- (p) 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 these estimates.
- (q) Certain amounts in the 2012 financial statements have been reclassified to conform with the current year presentation.

(Continued)

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Notes to Financial Statements
For the fiscal years ended June 30, 2013 and 2012

(2) Cash and Cash Equivalents and Investments

Cash and Cash Equivalents

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the College's deposits may not be returned to it. Although the College does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA is a supplemental insurance program set forth by the New Jersey Legislature to protect the deposits of local government agencies. Any funds designated below as uninsured are assets of the Foundation. As of June 30, 2013 and 2012, the College's and Foundation's combined bank balances of \$14,758,018 and \$16,046,065, respectively, were insured, collateralized or uninsured as follows:

	Brookdale Community College		Brookdale Community College Foundation	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Insured	\$ 250,000	250,000	1,560,578	1,509,011
Collateralized under GUDPA	10,899,357	13,977,841	—	—
Uninsured	<u>—</u>	<u>—</u>	<u>2,048,083</u>	<u>309,214</u>
	<u>\$ 11,149,357</u>	<u>14,227,841</u>	<u>3,608,661</u>	<u>1,818,225</u>

Investments

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the College 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 College, or are held by either the counterparty or the counterparty's trust department or agent but not in the College's name. The College's investments for fiscal year 2013 and fiscal year 2012 are \$14,000,000 and \$18,000,000, respectively, in certificates of deposits. The Foundation's investments for fiscal years 2013 and 2012 are 2,225,370 and \$2,730,287, respectively, in certificates of deposits, mutual funds, bonds and notes, and equities at various financial institutions.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. While the College 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, to mitigate this risk, the majority of investments purchased have a maturity date of no more than one year.

(Continued)

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Notes to Financial Statements
For the fiscal years ended June 30, 2013 and 2012

[2] Cash and Cash Equivalents and Investments (continued)

Investments (continued)

Credit Risk

Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. N.J.S.A. does not limit the investment types that County Colleges may purchase and the College has no investment policy that limits its investment choices.

Concentration of Credit Risk

The College does not place a limit on the amount that may be invested in any one issuer. As of June 30, 2013 and 2012, the College had the following investments and maturities:

<u>Investment</u>	<u>Maturity</u>	<u>Credit Rating</u>	<u>Fair Value</u>	
			<u>2013</u>	<u>2012</u>
Certificates of deposit	> 3 months	N/A	\$ <u>14,000,000</u>	<u>18,000,000</u>
			\$ <u>14,000,000</u>	<u>18,000,000</u>

The Foundation does not place a limit on the amount that may be invested in any one issuer. As of June 30, 2013 and 2012, the Foundation had the following investments and maturities:

<u>Investment</u>	<u>Maturity</u>	<u>Credit Rating</u>	<u>Fair Value</u>	
			<u>2013</u>	<u>2012</u>
Certificates of deposit	> 3 months	N/A	\$ 457,160	859,663
Mutual funds	N/A	N/A	694,876	873,138
Equities	N/A	N/A	608,617	504,354
Bonds and notes	various	various	<u>464,717</u>	<u>493,132</u>
			\$ <u>2,225,370</u>	<u>2,730,287</u>

(Continued)

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Notes to Financial Statements
For the fiscal years ended June 30, 2013 and 2012

(3) Accounts Receivable

Accounts receivable consisted of the following as of June 30, 2013 and 2012:

	Brookdale Community College		Brookdale Community College Foundation	
	2013	2012	2013	2012
Federal, state and local grants receivable	\$ 1,203,306	1,452,375	—	—
Student accounts receivable	1,922,550	2,693,482	—	—
Community development receivables	455,939	407,672	—	—
Other receivables	672,300	491,453	61,119	463,207
	4,254,094	5,044,982	61,119	463,207
Less allowance for doubtful accounts	1,226,774	1,690,041	—	—
	\$ 3,027,320	3,354,941	61,119	463,207

The Foundation was the beneficiary of a charitable remainder trust agreement. During fiscal year 2013, the Foundation received a check in the amount of \$277,361 per the 15-year trust term, which ended during fiscal year 2013. As of June 30, 2012, the present value of the assets to be received, \$300,202, was included in accounts receivable in the accompanying statements of net position. Annually, any change in the value is recorded as part of nonoperating revenues (expenses) and amounted to a loss of \$22,841 for the year ended June 30, 2013 and a gain of \$8,394 for the year ended June 30, 2012.

(4) Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consisted of the following as of June 30, 2013 and 2012:

	Brookdale Community College		Brookdale Community College Foundation	
	2013	2012	2013	2012
Vendors	\$ 903,432	1,557,468	—	—
Construction	1,244,652	1,271,056	—	—
Payroll	2,380,353	2,386,824	—	—
Compensated absences - vacation	2,791,432	2,793,060	—	—
State of New Jersey unemployment	500,000	550,000	—	—
Other	2,510,853	2,677,208	230,093	112,600
	\$ 10,330,722	11,235,616	230,093	112,600
	\$ 10,330,722	11,235,616	230,093	112,600

(Continued)

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Notes to Financial Statements
For the fiscal years ended June 30, 2013 and 2012

(5) Capital Assets

The fiscal years 2013 and 2012 activity in capital assets and accumulated depreciation was as follows:

Brookdale Community College				
	Balance, June 30, 2012	Additions	Retirements	Balance, June 30, 2013
Depreciable assets:				
Buildings and building improvements	\$ 224,203,487	1,774,852	—	225,978,339
Furniture and equipment	8,442,093	377,869	(126,862)	8,693,100
	<u>232,645,580</u>	<u>2,152,721</u>	<u>(126,862)</u>	<u>234,671,439</u>
Less accumulated depreciation:				
Buildings and building improvements	(77,549,217)	(5,038,924)	—	(82,588,141)
Furniture and equipment	(5,284,665)	(676,125)	126,862	(5,833,928)
	<u>(82,833,882)</u>	<u>(5,715,049)</u>	<u>126,862</u>	<u>(88,422,069)</u>
Depreciable assets, net	149,811,698	(3,562,328)	—	146,249,370
Nondepreciable asset, land	<u>5,882,462</u>	<u>—</u>	<u>—</u>	<u>5,882,462</u>
Capital assets, net	<u>\$ 155,694,160</u>	<u>(3,562,328)</u>	<u>—</u>	<u>152,131,832</u>
	Balance, June 30, 2011	(Restated) Additions	Retirements	Balance, June 30, 2012
Depreciable assets:				
Buildings and building improvements	\$ 222,528,251	1,675,236	—	224,203,487
Furniture and equipment	7,926,461	628,735	(113,103)	8,442,093
	<u>230,454,712</u>	<u>2,303,971</u>	<u>(113,103)</u>	<u>232,645,580</u>
Less accumulated depreciation:				
Buildings and building improvements	(72,551,681)	(4,997,536)	—	(77,549,217)
Furniture and equipment	(4,646,591)	(719,065)	80,991	(5,284,665)
	<u>(77,198,272)</u>	<u>(5,716,601)</u>	<u>80,991</u>	<u>(82,833,882)</u>
Depreciable assets, net	153,256,440	(3,412,630)	(32,112)	149,811,698
Nondepreciable asset, land	<u>5,882,462</u>	<u>—</u>	<u>—</u>	<u>5,882,462</u>
Capital assets, net	<u>\$ 159,138,902</u>	<u>(3,412,630)</u>	<u>(32,112)</u>	<u>155,694,160</u>

(Continued)

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Notes to Financial Statements
For the fiscal years ended June 30, 2013 and 2012

(6) Long-Term Debt

The activity in long-term debt for the years ended June 30, 2013 and 2012 was as follows:

	Brookdale Community College				
	<u>June 30, 2012</u>	<u>Increase</u>	<u>Decrease</u>	<u>June 30, 2013</u>	
B. Lease revenue bonds - Series 2008 issue:					
Serial bonds (interest rates between 3.25% to 5.25% due on various dates through fiscal year 2025)	8,245,000	—	(480,000)	\$ 7,765,000	
Term bonds (interest rate between 5.25% to 6.00% due in fiscal years 2027, 2029, 2032 and 2039)	18,380,000	—	—	18,380,000	
C. Lease revenue bonds - Series 2009 issue:					
Serial bonds (interest rates between 2.0% to 5.125% due on various dates through fiscal year 2023)	4,850,000	—	(365,000)	4,485,000	
Term bonds (interest rate between 3.5% to 4.0% due in fiscal years 2025 to 2032)	5,695,000	—	—	5,695,000	
D. Lease revenue bonds - Series 2012 issue:					
Serial bonds (interest rates between 2.0% to 5.0% due on various dates through fiscal year 2026)	7,660,000	—	(485,000)	7,175,000	
Bond premium	758,317	—	(50,979)	707,338	
Deferred loss on bond refinancing	(412,240)	—	41,694	(370,546)	
	<u>\$ 45,176,077</u>	<u>—</u>	<u>(1,339,285)</u>	43,836,792	
Less current portion				<u>(1,295,000)</u>	
				<u>\$ 42,541,792</u>	
	<u>June 30, 2011</u>	<u>Increase</u>	<u>Decrease</u>	<u>Defeased</u>	<u>June 30, 2012</u>
A. Lease revenue bonds - Series 2003 issue:					
Serial bonds (interest rates between 3.5% to 4.7% due on various dates through fiscal year 2026)	\$ 8,840,000	—	—	(8,840,000)	\$ —
B. Lease revenue bonds - Series 2008 issue:					
Serial bonds (interest rates between 3.25% to 5.25% due on various dates through fiscal year 2025)	8,710,000	—	(465,000)	—	8,245,000
Term bonds (interest rate between 5.25% to 6.00% due in fiscal years 2027, 2029, 2032 and 2039)	18,380,000	—	—	—	18,380,000
C. Lease revenue bonds - Series 2009 issue:					
Serial bonds (interest rates between 2.0% to 5.125% due on various dates through fiscal year 2023)	5,205,000	—	(355,000)	—	4,850,000
Term bonds (interest rate between 3.5% to 4.0% due in fiscal years 2025 to 2032)	5,695,000	—	—	—	5,695,000
D. Lease revenue bonds - Series 2012 issue:					
Serial bonds (interest rates between 2.0% to 5.0% due on various dates through fiscal year 2026)	—	7,660,000	—	—	7,660,000
Bond premium	—	764,690	(6,373)	—	758,317
Deferred loss on bond refinancing	—	(415,734)	3,494	—	(412,240)
	<u>\$ 46,830,000</u>	<u>8,008,956</u>	<u>(822,879)</u>	<u>(8,840,000)</u>	45,176,077
Less current portion					<u>(1,330,000)</u>
					<u>\$ 43,846,077</u>

(Continued)

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Notes to Financial Statements
For the fiscal years ended June 30, 2013 and 2012

(6) Long-Term Debt (continued)

- A. The lease revenue bonds – Series 2003 were issued by The Monmouth County Improvement Authority (“MCIA”) pursuant to an agreement with the College for the purpose of funding for the acquisition of the Brookdale at Freehold campus.

On May 16, 2012, the MCIA pursuant to an agreement with the College issued lease revenue Bond Series 2012. As a result, the Series 2003 was considered defeased and the liability for this bond has been removed from the financial statements.

- B. The lease revenue bonds – Series 2008 were issued by The Monmouth County Improvement Authority pursuant to an agreement with the College for the purpose of funding for the Big Four Projects, which was comprised of renovations to the Collins Arena, Fitness Center, Autotech and the Freehold campus. The agreement with MCIA requires the pledging of certain revenues to meet the sinking fund requirements of the issue. The College’s mortgage obligation to MCIA is collateralized by certain land, buildings and building improvements, and equipment.

Except for extraordinary optional redemption as described in the debt agreement, the Series 2008 bonds are not subject to redemption prior to August 1, 2018, and are redeemable thereafter at par plus accrued interest.

Bond principal payments are due August 1 of each year starting in the year 2009 and ending in the year 2038. Bond principal payments of \$480,000 were made on August 1, 2012, and \$500,000 is due on August 1, 2013 and incrementally increases thereafter to a maximum of \$1,095,000 on August 1, 2029.

The term bonds mature in lump sum payments of \$1,810,000 in fiscal year 2027, \$2,015,000 in fiscal year 2029, \$3,495,000 in fiscal year 2032 and \$11,060,000 in fiscal year 2039.

- C. The lease revenue bonds – Series 2009 were issued by The Monmouth County Improvement Authority pursuant to an agreement with the College for the purpose of refinancing the funding for construction of a multi-purpose student life center on the Lincroft campus of the College. The agreement with MCIA requires the pledging of certain revenues to meet the sinking fund requirements of the issue. The College’s mortgage obligation to MCIA is collateralized by certain land, buildings and building improvements, and equipment.

Except for extraordinary optional redemption as described in the debt agreement, the Series 2009 bonds are not subject to redemption prior to August 1, 2019, and are redeemable thereafter at par plus accrued interest.

Bond principal payments are due August 1 of each year starting in the year 2010 and ending in the year 2029. Bond principal payments of \$365,000 were made on August 1, 2012, and \$380,000 is due on August 1, 2013 and incrementally increases thereafter to a maximum of \$655,000 on August 1, 2028.

The term bonds mature in lump sum payments of \$1,110,000 in fiscal year 2025, \$1,190,000 in fiscal year 2027, \$1,280,000 in fiscal year 2029 and \$2,115,000 in fiscal year 2032.

(Continued)

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Notes to Financial Statements
For the fiscal years ended June 30, 2013 and 2012

(6) Long-Term Debt (continued)

D. The lease revenue bonds – Series 2012 were issued by The Monmouth County Improvement Authority pursuant to an agreement with the College for the purpose of providing funds to MCIA to fund an escrow, the proceeds of which were used for the purpose of refunding all of MCIA’s outstanding Lease Revenue Bonds - Series 2003, and paying certain costs in connection with the issuance of the bonds. As a result, the Series 2003 was considered to be defeased and the liability has been removed from the financial statements. The agreement with MCIA requires the pledging of certain rental revenues to meet the sinking fund requirements of the issue. The College’s mortgage obligation to MCIA is collateralized by certain land, buildings and building improvements.

Except for extraordinary optional redemption as described in the debt agreement, the Series 2012 bonds are not subject to redemption prior to August 1, 2022, and are redeemable thereafter at par plus accrued interest.

Bond principal payments are due August 1 of each year starting in the year 2012 and ending in the year 2026. Bond principal payments of \$485,000 were made on August 1, 2012, and \$415,000 is due on August 1, 2013 and incrementally increases thereafter to a maximum of \$635,000 on August 1, 2026.

The following is a schedule, by year, of future minimum payments under long-term debt as of June 30, 2013:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 1,295,000	2,066,435	3,361,435
2015	1,330,000	2,021,794	3,351,794
2016	1,375,000	1,976,567	3,351,567
2017	1,430,000	1,915,738	3,345,738
2018	1,485,000	1,851,242	3,336,242
2019-2023	8,475,000	8,214,388	16,689,388
2024-2028	11,440,000	6,227,530	17,667,530
2029-2033	5,610,000	3,851,109	9,461,109
2034-2038	11,060,000	1,604,750	12,664,750
2039	—	9,400	9,400
	<u>\$ 43,500,000</u>	<u>29,738,952</u>	<u>73,238,952</u>

(Continued)

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Notes to Financial Statements
For the fiscal years ended June 30, 2013 and 2012

(6) Long-Term Debt (continued)

Interest charges incurred in fiscal years 2013 and 2012 were \$2,068,211 and \$2,220,870, respectively.

In connection with the refinancing of the Lease Revenue Bonds - Series 2003 with the Lease Revenue Bonds - Series 2012, the premium on the bond refinancing was \$764,690 and deferred loss on the bond refinancing was \$415,734. Bond premium and deferred loss on the bond refinancing are amortized over 15 years (the life of the bond). The balance of the bond premium as of June 30, 2013 and 2012 is \$707,338 and \$758,317, respectively and deferred loss as of June 30, 2013 and 2012 is \$370,546 and \$412,240, respectively. The premium on the bond and deferred loss on the bond refinancing are included in long-term debt on the statements of net position. The amount of premium charged as a reduction of interest expense for fiscal year 2013 and 2012 was \$50,979 and \$6,372, respectively, and the amount of deferred loss charged as a reduction of interest expense for fiscal years 2013 and 2012 was \$41,694 and \$3,494, respectively.

(7) Designations of Unrestricted Net Position

As of June 30, 2013 and 2012, the College had designated portions of its unrestricted net position as follows:

	June 30, 2013		
	<u>Operating</u>	<u>Capital</u>	<u>Total</u>
Designated:			
Auxiliary services	\$ 4,606,059	—	4,606,059
Risk management	—	223,635	223,635
ADA compliance	—	330,800	330,800
Campus construction projects/minor capital	—	7,548,971	7,548,971
Appropriation to succeeding fiscal years' budgets	<u>11,828,340</u>	<u>—</u>	<u>11,828,340</u>
	<u>\$ 16,434,399</u>	<u>8,103,406</u>	<u>24,537,805</u>
	June 30, 2012		
	<u>Operating</u>	<u>Capital</u>	<u>Total</u>
Designated:			
Auxiliary services	\$ 9,032,588	—	9,032,588
Risk management	—	251,278	251,278
ADA compliance	—	412,000	412,000
Campus construction projects	—	5,824,043	5,824,043
Appropriation to succeeding fiscal years' budgets	<u>15,062,365</u>	<u>—</u>	<u>15,062,365</u>
	<u>\$ 24,094,953</u>	<u>6,487,321</u>	<u>30,582,274</u>

(Continued)

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Notes to Financial Statements
For the fiscal years ended June 30, 2013 and 2012

(8) Retirement Plans

Plan Descriptions

The College participates in four major retirement plans for its employees – Public Employees’ Retirement System (“PERS”), Police and Fireman’s Retirement System (“PFRS”), Defined Contribution Retirement Program (“DCRP”) and Alternate Benefit Program (“ABP”). ABP presently makes contributions to Teachers Insurance and Annuity Association – College Retirement Equities Fund (“TIAA/CREF”), ING Life Insurance, AXA Equitable Life Insurance, The Hartford Life Insurance, Metlife, VALIC and Prudential Retirement. ABP alternatives are administered by a separate Board of Trustees. PERS and PFRS are cost-sharing, multiple-employer defined benefit pension plans administered by the State of New Jersey. Generally, all employees, except certain part-time employees, participate in one of these plans. The State of New Jersey Division of Pension and Benefits issues a publicly available financial report that includes financial statements and required supplementary information.

PERS and PFRS Information

PERS was established under the provisions of N.J.S.A. 43:15A to provide coverage, including post-retirement health care, to substantially all full-time employees of the State of New Jersey or public agency, provided the employee is not a member of another State-administered retirement system. PFRS was established under the provisions of N.J.S.A. 43:16A to provide coverage to substantially all full-time county and municipal police or firemen and State of New Jersey firemen appointed after June 30, 1994. The State of New Jersey issues a publicly available financial report that includes financial statements and required supplementary information for PERS and PFRS.

PERS Funding Policy

PERS members are required to contribute 6.64% for the period from July 1, 2012 to June 30, 2013, 6.5% for the period from October 1, 2011 to June 30, 2012 and 5.5% for the period from July 1, 2007 to September 30, 2011 of their annual covered salary and the College is required to contribute at an actuarially determined rate for the years ended June 30, 2013 and 2012. During the years ended June 30, 2013 and 2012, the College’s annual contributions to PERS were \$1,829,463 and \$1,929,635, respectively. The contribution requirements of the plan members and the College are established and may be amended by the State of New Jersey.

PFRS Funding Policy

PFRS members are required to contribute 10% for the period from October 1, 2011 to June 30, 2013 and 8% for the period from July 1, 1969 to September 30, 2011 of their annual covered salary for the years ended June 30, 2013 and 2012. The College contribution is based upon annual actuarially determined percentages of total compensation of all active members. The College’s annual contribution approximates the actuarially determined pension cost for the year and is included in the accompanying financial statements. During fiscal years 2013 and 2012, College contributions to PFRS were \$289,728 and \$310,012, respectively. The contribution requirements of the plan members and the College are established and may be amended by the State of New Jersey.

DCRP Information

In September 2010, the State of New Jersey mandated that employees otherwise eligible to enroll in PERS, who do not work the minimum number of hours per week required for PERS, but who earn salary of at least \$5,000 annually, are now being enrolled in a defined contribution retirement program (“DCRP”). DCRP members are required to contribute 5.5% of their annual salary and the College is required to contribute 3%. The contribution requirements of the plan are established and may be amended by the State of New Jersey.

(Continued)

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Notes to Financial Statements
For the fiscal years ended June 30, 2013 and 2012

(8) Retirement Plans (continued)

Alternate Benefit Program Information

ABP provides the choice of seven investment carriers all of which are privately operated defined contribution retirement plans. The College assumes no liability for ABP members other than payment of contributions. ABP provides retirement and death benefits for or on behalf of these full-time professional employees and faculty members electing to participate in this optional retirement program. Participation eligibility as well as contributory and noncontributory requirements are established by the State of New Jersey Retirement and Social Security Law. Benefits are determined by the amount of individual accumulations and the retirement income option selected. All benefits vest after the completion of one year of service. Individually owned annuity contracts that provide for full ownership of retirement and survivor benefits are purchased at the time of vesting.

Participating College employees are required to contribute 5% and may contribute voluntary additional contributions of salary up to the maximum federal statutory limit, on a pre-tax basis. Employer contributions, some of which are reimbursed by the State, are 8% of base salary.

During the year ended June 30, 2013, ABP contributions, based upon participating employee salaries of \$28,668,144, were \$1,606,693 from employees and \$2,568,384 from the College. The State of New Jersey reimbursed the College \$2,293,452 for qualified employees and this amount is included in the accompanying financial statements as on-behalf payments.

During the year ended June 30, 2012, ABP contributions, based upon participating employee salaries of \$25,832,251, were \$1,461,350 from employees and \$2,342,772 from the College. The State of New Jersey reimbursed the College \$2,066,580 for qualified employees and this amount is included in the accompanying financial statements as on-behalf payments.

(9) Commitments and Contingencies

Commitments

The College leases the Neptune Higher Education building. Net rental expenses were approximately \$175,000 and \$156,900 in 2013 and 2012, respectively. The lease is noncancelable and has been classified as an operating lease which will expire in June 2017. Minimum annual rental commitments, net of sublease rentals, approximate the following:

<u>Year Ending June 30</u>	
2014	\$ 178,500
2015	182,070
2016	185,712
2017	<u>189,425</u>
	<u>\$ 735,707</u>

(Continued)

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Notes to Financial Statements
For the fiscal years ended June 30, 2013 and 2012

(9) Commitments and Contingencies (continued)

Contingencies

The College is exposed to various risks of loss related to damage and destruction of assets, injuries to employees, damage to the environment or noncompliance with environmental requirements, and natural and other unforeseen disasters. The College has insurance to cover all buildings, contents or related risks in case of loss, and insures its vehicles and equipment for claims and assessments arising from bodily injury, property damages and other perils. Unfavorable judgments, claims or losses incurred by the College are covered by these policies.

(10) Compensated Absences

The College recorded a liability for compensated absences in the amount of \$2,791,432 and \$2,793,060 as of June 30, 2013 and 2012, respectively, which is included in accounts payable and accrued expenses in the accompanying statements of net position. The liability is based upon employees' accrued vacation leave as of year-end. No amounts are recorded for accrued sick leave as the College does not make payments for accrued sick leave to employees upon termination.

(11) Other Postemployment Benefits

Plan Description - The College contributes to the New Jersey State Health Benefits Program ("SHBP"), a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the State of New Jersey Division of Pension and Benefits. SHBP provides medical, prescription drug, mental health/substance abuse and Medicare Part B reimbursement to retirees and their covered dependents. The State Health Benefits Program Act is found in the N.J.S.A., Title 52, Article 17.25 et.seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. The State of New Jersey Division of Pension and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for SHBP.

Funding Policy - P.L. 1987, c.384 of P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of postemployment medical benefits through PERS. It created separate funds outside of the pension plans for the funding and payment of postemployment medical benefits for retired State employees and retired educational employees. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State's contribution rate is based on the *annual required contribution* ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years.

(Continued)

BROOKDALE COMMUNITY COLLEGE
(A Component Unit of the County of Monmouth)
Notes to Financial Statements
For the fiscal years ended June 30, 2013 and 2012

(11) Other Postemployment Benefits (continued)

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a school district or county college with 25 years of service. Employees who attained 20 years of service on June 28, 2011 and continue to work for a total of 25 years will be eligible for State paid health benefits. Employees who did not have 20 years of service on June 28, 2011 pay the full premium for retiree health benefits.

(12) Related Party Transactions

The Foundation utilized office space and received certain administrative assistance from the College at no charge during the years ended June 30, 2013 and 2012. The fair value of this space and these services is estimated at \$149,885 and \$101,707 and is included in the Foundation's statements of revenues, expenses, and changes in net position for the years ended June 30, 2013 and 2012, respectively.

During the fiscal years 2013 and 2012, 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, 2013 and 2012, the Foundation was indebted to the College in the amount of \$230,093 and \$112,600, respectively, representing student scholarships and operating expenses paid by the College on behalf of the Foundation. This amount is noninterest-bearing and is currently payable.

(13) Litigation

The College was a defendant in a legal proceeding which resulted in a settlement which was not in favor of the College. The College is required to make certain improvements to existing buildings and infrastructure over a five year period, in order to make the College more ADA accessible. The estimated cost of these improvements is approximately \$200,000 each year. The College is in the final year of the required improvements.

The College is also a party to various legal actions arising in the ordinary course of business. Although it is not possible to predict the outcome of these actions, it is the opinion of management that there is no exposure to such matters that, if decided adversely, would be material to the College's financial position or are not adequately covered by insurance.

(14) Subsequent Events

Brookdale Community College Foundation

The Center for Holocaust, Human Rights and Genocide Education (the "Center") filed for its own 501(c)(3) nonprofit status with the IRS in fall 2012. The Center received notification they were granted the IRS designation in September 2013, with an effective date of August 17, 2012. Total assets of approximately \$1,318,000 pertaining to the Center will be distributed from the Foundation to the new 501(c)(3) entity in FY14. Management does not believe that this will have a significant impact on the future operations of the Foundation.

The College has evaluated subsequent events through December 19, 2013, which is the date the financial statements were available to be issued.

SINGLE AUDIT SECTION

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*

INDEPENDENT AUDITORS' REPORT

To the Honorable President and Members of the Board of Trustees of
Brookdale Community College

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 the business-type activities and the discretely presented component unit of Brookdale Community College, which comprise the statement of net position as of June 30, 2013, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 19, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Brookdale Community College'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Brookdale Community College's internal control. Accordingly, we do not express an opinion on the effectiveness of Brookdale Community College'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 organization'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 audit 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 Brookdale Community College'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 audit 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 Brookdale Community College's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Brookdale Community College's internal control over financial reporting and compliance. Accordingly, this report is not suitable for any other purpose.

The image shows a handwritten signature in black ink that reads "EisnerAmper LLP". The signature is written in a cursive, flowing style.

Jenkintown, Pennsylvania
December 19, 2013



**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB
CIRCULAR A-133**

INDEPENDENT AUDITORS' REPORT

To the Honorable President and Members of the Board of Trustees of
Brookdale Community College

Report on Compliance for Each Major Federal and State Program

We have audited Brookdale Community College's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget ("OMB") Circular A-133 *Compliance Supplement* and State of New Jersey, State Grant Compliance Supplement that could have a direct and material effect on each of Brookdale Community College's major federal and state programs for the year ended June 30, 2013. Brookdale Community College's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Brookdale Community College's management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Brookdale Community College's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and State of New Jersey OMB Circular 04-04 *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards and OMB Circular A-133 and OMB Circular 04-04 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about Brookdale Community College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination of Brookdale Community College's compliance.

Opinion on Each Major Federal and State Program

In our opinion, Brookdale Community College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and OMB Circular 04-04 and which is described in the accompanying schedule of findings and questioned costs as item 2013-1. Our opinion on each major federal and state program is not modified with respect to this matter.

Brookdale Community College's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Brookdale Community College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Brookdale Community College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to on the previous page. In planning and performing our audit of compliance, we considered Brookdale Community College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and OMB Circular 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Brookdale Community College's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal and state program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal and state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and OMB Circular 04-04. Accordingly, this report is not suitable for any other purpose.



Jenkintown, Pennsylvania
December 19, 2013

BROOKDALE COMMUNITY COLLEGE

Schedule of Expenditures of Federal Awards

Year ended June 30, 2013

Federal grantor/ pass-through grantor/ program or cluster title	Federal CFDA/grant number	Current year expenditures
U.S. Department of Education:		
Student Financial Assistance Cluster:		
William D Ford Federal Direct Loan	84.268	\$ 12,572,867
Federal Supplemental Educational Opportunity Grant (including administrative cost allowance of \$19,168)	84.007	306,731
Federal Pell Grant	84.063	16,355,238
Federal Work-Study (including administrative cost allowance of \$7,392)	84.033	155,230
Job Locator		28,590
Total Student Financial Assistance Cluster		<u>29,418,656</u>
U.S. Department of Education:		
Passed through State of New Jersey Department of Labor & Workforce Development:		
Adult Basic Skills & Integrated English Literacy	84.002	521,393
Civics Education Program	84.002	146,040
Passed through State of New Jersey Department of Education:		
Voc Ed Disadvantaged Component	84.048	648,046
Other Federal Programs:		
National Science Foundation:		
E-MATE	47.076	56,594
Cyber Center	47.076	7,276
National Endowment for the Arts:		
Big Read	45.024	15,000
U.S. Small Business Administration:		
Small Business Administration and Seminars	59-unknown	3,305
Small Business Job Act Workshops	59-unknown	12,553
Passed through Rutgers University:		
Small Business Development Center	59.037	123,275
Small Business Job Act	59.037	18,983
Hurricane Sandy Small Business Revitalization	59.064	28,756
U.S. Department of Health and Human Services:		
ARRA - Health Center Integrated Services Development Initiative	93.703	49,625
Health Profession Opportunity Grant	93.093	491,075
Total expenditures of federal awards		<u>\$ 31,540,577</u>

BROOKDALE COMMUNITY COLLEGE

Schedule of Expenditures of State of New Jersey Awards

Year ended June 30, 2013

State of New Jersey grantor/program or cluster title	Grant number/ State of New Jersey account number	Award amount	Grant period	Current year expenditures
State of New Jersey grants – restricted:				
N.J. Department of Treasury:				
Student Financial Assistance Cluster:				
Educational Opportunity Fund Summer and Regular Awards	2401-100-074-2401-002-kkk-6140	\$ 315,886	07/01/12-06/30/13	\$ 315,886
N.J. Urban Scholarships	–	500	07/01/12-06/30/13	500
Tuition Aid Grant	–	3,287,009	07/01/12-06/30/13	3,287,009
NJ Stars	–	390,084	07/01/12-06/30/13	390,084
Total Student Financial Assistance Cluster				3,993,479
Educational Opportunity Fund – Article IV:				
Educational Opportunity Fund Summer	2401-100-074-2401-002-KKK-6140	15,676	07/01/12-06/30/13	15,676
Educational Opportunity Fund Regular	2401-100-074-002-KKK-6140	186,097	07/01/12-06/30/13	186,097
N.J. Department of Education:				
General Education Development Testing	5063-100-034-5063-324-H302-3620	12,095	07/01/12-06/30/13	10,629
Career Tech Ed Prov Teacher Pilot (Yr 2)	25711	185,000	10/1/11-9/30/12	53,782
Career Tech Ed Prov Teacher Pilot (Yr 3)	13E00044	200,346	10/1/12-9/30/13	123,401
N.J. Department of Human Services:				
Displaced Homemaker	13XINW	124,575	07/01/12-06/30/13	122,609
Family Friendly	12ASNP	45,463	07/01/12-06/30/13	43,608
Total State of New Jersey grants – restricted				4,549,281
State of New Jersey appropriations – unrestricted:				
N.J. Department of Treasury:				
Operational Costs – County Colleges	01-100-082-2155-015	10,660,107	07/01/12-06/30/13	10,417,121
Alternate Benefit Program	–	2,066,580	07/01/12-06/30/13	2,293,452
Total expenditures of State of New Jersey awards				\$ <u>17,259,854</u>

BROOKDALE COMMUNITY COLLEGE

NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE OF NEW JERSEY AWARDS

NOTE 1: GENERAL

The accompanying schedules of expenditures of federal and State of New Jersey awards present the activities of all federal awards and state financial assistance programs of Brookdale Community College. The College is defined in the notes to the College's basic financial statements. All federal awards and state financial assistance received directly from federal or state agencies, as well as federal awards and state financial assistance passed through other government agencies, are included in the schedules of expenditures of federal and State of New Jersey awards.

NOTE 2: BASIS OF ACCOUNTING

The accompanying schedules of expenditures of federal and State of New Jersey awards are presented using the accrual basis of accounting.

NOTE 3: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Amounts reported in the accompanying schedules of expenditures of federal and State of New Jersey awards agree with amounts reported in the College's basic financial statements.

NOTE 4: RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules of expenditures of federal and State of New Jersey awards agree with the amounts reported in the related federal and state financial reports.

BROOKDALE COMMUNITY COLLEGE

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Section III – Federal Award Findings and Questioned Costs

Finding Number 2013-1: Return of Title IV Funds

Federal Program: Student Financial Aid Cluster

CFDA No.: 84.063 (Federal Pell grant); 84.268 (PLUS Loan (*William D Ford Federal Direct Loan*))

Federal Award Year: July 1, 2012 – June 30, 2013

Condition

EisnerAmper randomly selected 40 students who either withdrew from or failed all of their classes during at least one semester in fiscal year 2013 to test that the College complied with the return of Title IV funds requirements. The results of our testing procedures indicated the following conditions:

- In one instance, the incorrect amount of unearned PELL grant funds was returned. The calculated amount was \$927; however, \$1,427 was returned.
- In one instance, unearned PLUS loan funds of \$125 were returned subsequent to the 45 day return period after determination of student withdrawal.

Criteria

When a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV aid earned by the student as of the student's withdrawal date. If the total amount of Title IV assistance earned by the student is less than the amount that was disbursed to the student or on his or her behalf as of the date of the institution's determination that the student withdrew, the difference must be returned to the Title IV programs. Returns of Title IV funds are required to be deposited or transferred into the student financial aid account or electronic fund transfers initiated to U.S. Department of Education or the appropriate Federal Family Education Loan program lender as soon as possible, but no later than 45 days after the date the institution determines that the student withdrew.

Effect

The College erroneously sent back \$500 more than the calculated amount and also did not comply with the requirements for the timing of return of Title IV funds.

Cause

Per management, the overpayment was the result of a data entry error and the late return of unearned funds was an oversight. These items were not discovered during the course of the College's quality control review process, and are believed by management to be isolated incidents.

Recommendation

We recommend the College implement additional review and reconciliation procedures to ensure that the proper amounts of unearned Title IV funds are returned.

Corrective Action

Beginning 2013-2014 PowerFAIDS (Financial Aid Management System) upgrades include a process for calculating Return of Title IV funds (R2T4) eliminating external processes, thereby reducing the possibility of isolated errors. Appropriate staff has been trained and a new process of review has been developed using the R2T4 screens in PowerFAIDS.

Section IV –New Jersey Award Findings and Questioned Costs

NONE

BROOKDALE COMMUNITY COLLEGE

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Status of Prior Audit Findings

Financial Statement Findings:

Finding Number 2012-1

Internal Control over Financial Reporting

Condition

EisnerAmper requested support documentation from the College to perform capital asset addition testing for the fiscal year ended June 30, 2011, in order to ascertain reliance on the opening balances of the capital assets. During assembly and review of the requested information, the College Business and Finance Department noted that \$987,128 of net costs were inadvertently excluded on the schedule provided to the fixed asset management service provider, a firm contracted to provide the College with a detail report on capital assets, related additions, retirements and depreciation.

Current Status

This item has been resolved.

Federal and New Jersey Award Findings and Questioned Costs:

No prior year findings or questioned costs.