

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

Financial Statements and
Management's Discussion and Analysis

June 30, 2006 and 2005

(With Independent Auditors' Report Thereon)

BOWMAN
& Company
LLP

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

June 30, 2006 and 2005

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Independent Auditors' Report

The Board of Trustees
Brookdale Community College Foundation
Lincroft, New Jersey 07738

We have audited the accompanying basic financial statements of Brookdale Community College Foundation (the Foundation), a component unit of Brookdale Community College, as of and for the years ended June 30, 2006, as listed in the table of contents. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The basic financial statements of Brookdale Community College Foundation, as of June 30, 2005, were audited by another auditor whose report dated September 30, 2005, expressed an unqualified opinion on those statements.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Brookdale Community College Foundation as of June 30, 2006, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, as listed in the table of contents, is not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully submitted,

A handwritten signature in black ink that reads "Bowman & Company LLP". The signature is written in a cursive, flowing style.

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Voorhees, New Jersey
October 4, 2006

Brookdale Community College Foundation
Management Discussion & Analysis
June 30, 2006 and 2005

The Management's Discussion and Analysis (MD&A) represents Brookdale Community College Foundation's (the Foundation) financial performance during the fiscal years ended June 30, 2006 and June 30, 2005.

The mission of the Foundation is to help students to achieve their dream of earning a college degree by generating private funding from individuals, businesses and organizations to support and fund student scholarships, grants for faculty, students and staff and special programs that provide access and opportunity to students.

General Financial Information

Unrestricted Revenue

The "I Came With A Dream and Left With a Plan" annual campaign and special events generated unrestricted revenues.

The Brookdale Annual Campaign in FY06 generated revenues of \$258,807, an increase of \$65,337 (33.8%) from FY05 total of \$193,470. This increase is directly attributable to developing and expanding a sustainable annual campaign designed to stimulate the contribution of unrestricted funds; increase awareness and acceptance of the organization and its responsibility to raise money; develop a base of knowledgeable volunteers; and, cultivate prospects for sustained and future giving. The Honorary Campaign Chair is Brian Williams, NBC News Anchor and a Brookdale alumna. Major donations to the annual campaign included gifts of \$50,000, \$25,000, \$20,000; \$15,000; \$10,000; \$5,000 and below. Donations came from individuals, business and organizations and employees. The FY07 goal for the Annual Campaign is \$350,000.

Special events in FY06 generated revenues of \$133,761, a \$49,242 (26.9%) decrease from FY05 total of \$183,003. This decrease in special event revenue is a result of the organization not being able to schedule and run the Presidents Ball, an event that generated \$73,045 in revenue in FY05 and the Casino Night event generating \$13,000 less than budgeted. The five-year analysis trend of decreased special events revenue started in 2002 and continued in FY06.

Total unrestricted revenues in FY06 were \$497,790 resulting in an increase in fund balance of more than \$98,000 for the year. In FY05, total unrestricted revenues were \$483,730, resulting in an increase in fund balance for the year of \$126,377.

Restricted Revenue

Contributions to new and existing Scholarship Funds and the Library Endowment Fund, plus interest income from endowed funds established over the past four years represent restricted revenues in FY06. Although the Foundation strategically focused its efforts on generating more unrestricted funds in FY06, restricted revenues totaled \$294,352. Restricted revenues increased 27.1% from FY05. This increase is directly attributed to donations of nearly \$97,000 to new endowed scholarship funds, donations of more than \$16,000 to existing endowed scholarship funds and donations of \$72,500 to the Library Endowment fund.

A summary of revenues earned by the Foundation are as follows:

	FY06	FY05	FY04	FY03	FY05/FY06 Change
Special Events	\$133,761	\$183,003	\$244,833	\$258,890	(\$49,242)
Contributions	\$458,698	\$325,893	\$374,727	\$426,575	\$132,805
College Contribution	\$95,916	\$93,768	\$102,525	\$96,319	\$2,148
Interest	\$92,519	\$85,565	\$69,726	\$38,177	\$6,954
Other	\$11,248	\$27,015	\$11,682	\$13,669	(\$15,767)
Total	\$792,142	\$715,244	\$803,493	\$833,630	\$76,898

Total Expenses:

The Foundation increased operating and fundraising expenses by 9.4% and increased scholarship and grant expenses. Overall expenses in FY06 totaled \$473,854 versus FY05 expenses of \$433,202, an increase of \$40,652. The increase is primarily due to additional unrestricted scholarships awarded of \$64,543 over FY05.

Scholarships and Grants

Scholarships, grants and other programs supporting students, totaled more than \$192,000 in FY06, an increase of \$56,799 over FY05. This increase is directly attributable to additional scholarships made available by the annual campaign fundraising effort. More than 250 students received scholarships during the year. Scholarships are awarded to students having financial need (majority do not qualify for Federal or State grants) and meeting established criteria. Grants are provided to faculty and departments for projects that enhance educational services for students.

Net Assets

Total net assets in FY06 were \$2,498,989 vs. \$2,180,701 in FY05 (14.6% increase). Net assets in FY06 increased \$318,288 over FY05. Net assets increased \$282,042 in FY05 over FY04. In the last six years, net assets have increased from \$928,423 in FY00 to \$2,498,989 in FY06. This growth trend is directly attributable to: 1) generating more than \$1.2 million in new endowment funds and 2) managing asset allocation of these new funds and existing funds to produce interest income to meet annual scholarship and grant expenditures.

Other Information

FY06 was another successful year for the annual campaign as the cornerstone of sustained giving to the Brookdale Foundation. The success of the campaign enabled the Foundation to increase scholarships for academic year 2006-2007 and earmark funds for the creation of a \$40,000 general endowment fund.

The Brookdale Community College Foundation will conduct an annual campaign in FY07 and stage two major special events. Specifically, they are the Education Open Golf Outing in September 2006 at Hollywood Golf Club and another major fundraising event in May, 2007 tied to the 40th anniversary of the college.

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

Statements of Net Assets

June 30, 2006 and 2005

Assets	<u>2006</u>	<u>2005</u>
Current assets:		
Cash and cash equivalents	\$ 912,186	846,611
Accounts receivable and other assets	20,000	23,225
Investments (note 2)	1,606,239	1,312,235
Contributions receivable (note 4)	3,083	62,653
Total current assets	<u>2,541,508</u>	<u>2,244,724</u>
Noncurrent assets:		
Contributions receivable (note 4)	217,575	206,397
Endowment investments (note 2)	318,796	318,796
Total noncurrent assets	<u>536,371</u>	<u>525,193</u>
Total assets	<u>3,077,879</u>	<u>2,769,917</u>
Liabilities		
Current liabilities:		
Accounts payable	3,000	30,865
Due to Brookdale Community College (note 3)	59,743	86,138
Deferred revenue	27,850	—
Deposits held for others	488,297	472,213
Total current liabilities	<u>578,890</u>	<u>589,216</u>
Net assets		
Restricted for:		
Nonexpendable:		
Scholarships	161,727	161,727
Library	157,069	157,069
Expendable:		
Scholarships	1,636,502	1,417,184
Unrestricted	543,691	444,721
Total net assets	<u>\$ 2,498,989</u>	<u>2,180,701</u>

See accompanying notes to financial statements.

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

Statements of Revenues, Expenses, and Changes in Net Assets

Years ended June 30, 2006 and 2005

	2006	2005
Operating revenues:		
Special events	\$ 133,761	183,003
Contributions	458,698	325,893
Other operating revenues	70	1,178
Total operating revenues	592,529	510,074
Operating expenses:		
Special events	95,905	101,509
Scholarships	192,888	136,089
Salaries	80,731	79,035
Benefits	22,240	21,843
Rent and utilities	27,987	27,438
Supplies and other services	54,103	67,288
Total operating expenses	473,854	433,202
Operating income	118,675	76,872
Nonoperating revenues:		
Investment income	92,519	85,565
College contribution (note 3)	95,916	93,768
Change in fair value of charitable remainder trust (note 4)	11,178	25,837
Total nonoperating revenues	199,613	205,170
Increase in net assets	318,288	282,042
Net assets as of beginning of year	2,180,701	1,898,659
Net assets as of end of year	\$ 2,498,989	2,180,701

See accompanying notes to financial statements.

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

Statements of Cash Flows

Years ended June 30, 2006 and 2005

	2006	2005
Cash flows from operating activities:		
Special events receipts	\$ 136,986	170,313
Contributions and pledges	518,268	263,240
Payments to suppliers	(204,405)	(188,349)
Payments to employees	(102,971)	(100,878)
Payments for scholarships and grants	(192,888)	(136,089)
Other operating receipts (disbursements)	16,154	(16,338)
Net cash (used) provided by operating activities	171,144	(8,101)
Cash flows from noncapital financing activities:		
College contribution	95,916	93,768
Cash flows from investing activities:		
Interest and dividends on investments	92,519	85,565
Sales of investments	(405,106)	(176,546)
Purchases of investments	111,102	79,511
Net cash (used) provided by investing activities	(201,485)	(11,470)
Net increase in cash and cash equivalents	65,575	74,197
Cash and cash equivalents as of beginning of year	846,611	772,414
Cash and cash equivalents as of end of year	\$ 912,186	846,611
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 118,675	76,872
Changes in assets and liabilities:		
Accounts receivable and other assets	3,225	(12,690)
Contributions receivable	59,570	(62,653)
Accounts payable	(27,865)	7,015
Deferred revenue	27,850	—
Due to Brookdale Community College	(26,395)	871
Deposits held in custody for others	16,084	(17,516)
Net cash (used) provided by operating activities	\$ 171,144	(8,101)

See accompanying notes to financial statements.

BROOKDALE COMMUNITY COLLEGE FOUNDATION
(A Component Unit of Brookdale Community College)
Notes to Financial Statements
June 30, 2006 and 2005

(1) Organization and Summary of Significant Accounting Policies

Organization

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

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

Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The Foundation reports are based on all applicable GASB pronouncements as well as applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Review Boards of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The Foundation has not elected to apply FASB Statements and Interpretations issued after November 30, 1989. The significant accounting policies followed by the Foundation are as follows:

Adoption of Accounting Standard

Effective July 1, 2004, the Foundation adopted Statement No. 40 of the Governmental Accounting Standards Board (GASB), "Deposit and Investment Risk Disclosures", an amendment of GASB Statement No. 3. This statement establishes and modifies disclosure requirements related to investment and deposit risks.

Accrual Basis

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

BROOKDALE COMMUNITY COLLEGE FOUNDATION
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Notes to Financial Statements
June 30, 2006 and 2005

(1) **Organization and Summary of Significant Accounting Policies (Cont'd)**

Net Assets

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

- *Restricted:*
 - Nonexpendable* – Net assets subject to externally-imposed stipulations that must be maintained permanently by the Foundation.
 - Expendable* – Net assets whose use by the Foundation is subject to externally-imposed stipulations that can be fulfilled by actions of the Foundation pursuant to the stipulations or that expire by the passage of time.
- *Unrestricted:* Net assets that are not subject to externally-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of management with approval by the board of trustees. Substantially all unrestricted net assets are designated for academic programs and initiatives and capital programs.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the Foundation's policy is to first apply the expense towards restricted resources and then towards unrestricted resources.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on deposit with banks.

Investments

Investments are recorded at fair value obtained from quoted market values.

Office Furnishings

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

Deposits Held for Others

Deposits held for others represent funds held by the Foundation on behalf of other organizations, primarily the Holocaust Center, Sy Siegler Teaching Fund and Disability Services.

Contributions

Contributions, including pledges other than endowment, and other revenues are recorded as additions when received and are primarily restricted by the donor. Any contributions received without a specified purpose are available for unrestricted use.

BROOKDALE COMMUNITY COLLEGE FOUNDATION
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Notes to Financial Statements
June 30, 2006 and 2005

(1) **Organization and Summary of Significant Accounting Policies (Cont'd)**

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(2) **Cash and Investments**

Cash

The Foundation maintains cash balances in excess of \$100,000 in their banking institutions, which are insured by the Federal Deposit Insurance Corporation (F.D.I.C.) up to \$100,000 per institution. At June 30, 2006, the Foundation's uninsured cash balance totaled \$616,157. The data for June 30, 2005 is not available.

In addition, the Foundation invests funds in Sovereign Trust's U.S. Treasury Cash Fund. These funds are not insured by F.D.I.C. At June 30, 2006 the balances in this fund totaled \$46,259. The data for June 30, 2005 is not available.

Investments

The Foundation has an investment policy which establishes guidelines for permissible investments. The Foundation may invest in certificates of deposits and mutual funds.

Investments as of June 30, 2006 and 2005 are stated at fair value and consist of the following:

	<u>2006</u>	<u>2005</u>
Certificates of deposit	\$767,284	667,881
Mutual funds	1,157,751	963,150
	<u>\$1,925,035</u>	<u>1,631,031</u>

All of the certificates of deposit mature within one year as of June 30, 2006. The mutual funds are uncategorized.

BROOKDALE COMMUNITY COLLEGE FOUNDATION
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Notes to Financial Statements
June 30, 2006 and 2005

(3) 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, 2006 and 2005. The fair value of this space and these services is estimated at \$95,916 and \$93,768 and is included as operating revenues and operating expenses in the statements of revenues, expenses, and changes in net assets for the years ended June 30, 2006 and 2005, respectively.

During the year 2006 and 2005, 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, 2006 and 2005, the Foundation was indebted to the College in the amount of \$59,743 and \$86,138, respectively, representing operating expenses paid by the College on behalf of the Foundation. This amount is noninterest bearing and is currently payable.

(4) Contribution Receivable

The Foundation is the beneficiary of a charitable remainder trust agreement which consists of an estimated value of trust assets, \$300,000, to be received by the Foundation in 2013, at the conclusion of the trust term of fifteen years. The estimated value of the trust has been discounted at 6.0%. As of June 30, 2006 and 2005, the present value of the assets to be received, \$217,575 and \$206,397, respectively, has been included in contribution receivable in the accompanying statements of net assets. Annually, any change in the value is recorded as part of operating revenues and amounted to a gain of \$11,178 and \$25,837 for the years ended June 30, 2006 and 2005, respectively.

In addition as of June 30, 2006, the Foundation has contributions receivable of \$3,083 which are expected to be received within one year.