

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

FINANCIAL STATEMENTS

JUNE 30, 2020

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

Financial Statements
June 30, 2020 and 2019

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INDEPENDENT AUDITORS' REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of Brookdale Community College Foundation (a component unit of Brookdale Community College) (the "Foundation"), which comprise the statements of financial position as of June 30, 2020 and 2019, the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the 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. Those standards 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion


In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Foundation as of June 30, 2020 and 2019, and the respective changes in net assets and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Foundation, Inc. adopted Accounting Standards Update (“ASU”) 2018-08, *Not-for-Profit Entities: Clarifying the Scope and Accounting guidance for Contributions Received and Contributions Made (Topic 958)*, and ASU 2016-18, *Statement of Cash Flows: Restricted Cash (Topic 230)*. Our opinion is not modified with respect to these matters.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2020, on our consideration of the Foundation’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the Foundation’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation’s internal control over financial reporting and compliance.



**Certified Public Accountants
Braintree, Massachusetts**

November 30, 2020

BROOKDALE COMMUNITY COLLEGE FOUNDATION
(A Component Unit of Brookdale Community College)
Statements of Financial Position
June 30,

Assets	<u>2020</u>	<u>2019</u>
Current assets:		
Cash and equivalents	\$ 1,234,293	\$ 870,379
Contribution receivable	51,635	63,688
Prepaid expenses	<u>413</u>	<u>336</u>
Total current assets	<u>1,286,341</u>	<u>934,403</u>
Noncurrent assets:		
Cash restricted for long-term purposes	148,735	67,606
Investments	<u>5,506,612</u>	<u>5,819,591</u>
Total noncurrent assets	<u>5,655,347</u>	<u>5,887,197</u>
Total assets	\$ <u><u>6,941,688</u></u>	\$ <u><u>6,821,600</u></u>
Liabilities and Net Assets		
Current liabilities:		
Due to Brookdale Community College	\$ 46,079	\$ 29,230
Accounts payable	<u>8,425</u>	<u>6,765</u>
Total current liabilities	<u>54,504</u>	<u>35,995</u>
Net Assets:		
Without donor restrictions	1,821,237	1,475,912
With donor restrictions	<u>5,065,947</u>	<u>5,309,693</u>
Total net assets	<u>6,887,184</u>	<u>6,785,605</u>
Total liabilities and net assets	\$ <u><u>6,941,688</u></u>	\$ <u><u>6,821,600</u></u>

The accompanying notes are an integral part of these financial statements.

BROOKDALE COMMUNITY COLLEGE FOUNDATION

(A Component Unit of Brookdale Community College)

Statements of Activities and Changes in Net Assets

For the Years Ended June 30,

	2020			2019		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue:						
Contributions	\$ 75,747	\$ 708,483	\$ 784,230	\$ 72,011	\$ 511,616	\$ 583,627
Investment income	66,511	142,405	208,916	135,361	290,696	426,057
Special events	125,330	-	125,330	249,288	9,295	258,583
Donated services from College	166,711	-	166,711	165,289	-	165,289
Net assets released from restrictions	<u>1,094,634</u>	<u>(1,094,634)</u>	<u>-</u>	<u>882,005</u>	<u>(882,005)</u>	<u>-</u>
Total Revenue	<u>1,528,933</u>	<u>(243,746)</u>	<u>1,285,187</u>	<u>1,503,954</u>	<u>(70,398)</u>	<u>1,433,556</u>
Expenses:						
Program services	949,765	-	949,765	959,914	-	959,914
Management and general	133,407	-	133,407	158,508	-	158,508
Fundraising	<u>100,436</u>	<u>-</u>	<u>100,436</u>	<u>93,903</u>	<u>-</u>	<u>93,903</u>
Total Expenses	<u>1,183,608</u>	<u>-</u>	<u>1,183,608</u>	<u>1,212,325</u>	<u>-</u>	<u>1,212,325</u>
Change in Net Assets	345,325	(243,746)	101,579	291,629	(70,398)	221,231
Net Assets, Beginning of Year	<u>1,475,912</u>	<u>5,309,693</u>	<u>6,785,605</u>	<u>1,184,283</u>	<u>5,380,091</u>	<u>6,564,374</u>
Net Assets, End of Year	<u>\$ 1,821,237</u>	<u>\$ 5,065,947</u>	<u>\$ 6,887,184</u>	<u>\$ 1,475,912</u>	<u>\$ 5,309,693</u>	<u>\$ 6,785,605</u>

The accompanying notes are an integral part of these financial statements.

BROOKDALE COMMUNITY COLLEGE FOUNDATION
(A Component Unit of Brookdale Community College)
Statements of Functional Expenses
For the Years Ended June 30,

	2020				2019			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Scholarships and grants to the College	\$ 844,742	\$ -	\$ -	\$ 844,742	\$ 841,031	\$ -	\$ -	\$ 841,031
Salaries and benefits	105,023	63,013	42,009	210,045	118,883	77,532	10,338	206,753
Fundraising events	-	-	58,427	58,427	-	-	83,565	83,565
Supplies and other services	-	36,701	-	36,701	-	46,610	-	46,610
Rent and utilities	-	33,693	-	33,693	-	34,366	-	34,366
 Total expenses	 \$ <u>949,765</u>	 \$ <u>133,407</u>	 \$ <u>100,436</u>	 \$ <u>1,183,608</u>	 \$ <u>959,914</u>	 \$ <u>158,508</u>	 \$ <u>93,903</u>	 \$ <u>1,212,325</u>

The accompanying notes are an integral part of these financial statements.

BROOKDALE COMMUNITY COLLEGE FOUNDATION

(A Component Unit of Brookdale Community College)

Statements of Cash Flow

June 30,

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 101,579	\$ 221,231
Adjustments to reconcile change in net assets to net cash provided by (applied to) operating activities:		
Net realized and unrealized gains on investments	165,932	(303,288)
Changes in assets and liability:		
Contribution receivable	12,053	38,535
Prepaid expenses	(77)	4,400
Due to Brookdale Community College	16,849	596
Accounts payable	<u>1,660</u>	<u>6,765</u>
Net cash provided by (applied to) operating activities	<u>297,996</u>	<u>(31,761)</u>
Cash flows from investing activities:		
Proceeds from sale of investments	2,632,564	658,919
Purchases of investments	<u>(2,485,517)</u>	<u>(449,551)</u>
Net cash provided by investing activities	<u>147,047</u>	<u>209,368</u>
Net change in cash and equivalents	445,043	177,607
Cash and equivalents and restricted cash, at beginning of year	<u>937,985</u>	<u>760,378</u>
Cash and equivalents and restricted cash, at end of year	\$ <u>1,383,028</u>	\$ <u>937,985</u>
Cash and equivalents and restricted cash consist of the following at June 30:		
Cash and equivalents	\$ 1,234,293	\$ 870,379
Cash restricted for long-term purposes	<u>148,735</u>	<u>67,606</u>
	\$ <u>1,383,028</u>	\$ <u>937,985</u>

The accompanying notes are an integral part of these financial statements.

BROOKDALE COMMUNITY COLLEGE FOUNDATION

(A Component Unit of Brookdale Community College)

Notes to Financial Statements

June 30, 2020 and 2019

(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 the educational philosophy, mission, and goals of the College; in providing funds for the development of curriculum and education media; and in the creation of scholarships. Although the Foundation is legally a separate, not-for-profit organization, due to the significance of its operational and financial relationship with the College, it is considered a component unit of the College.

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

On March 9, 2020, the Governor of New Jersey declared a state of emergency and ordered all non-essential business services to temporarily cease due to the COVID-19 outbreak. The Foundation does not perform any essential services. The Foundation did fundraise after the start of the emergency but did not conduct any in-person fundraising events. The COVID-19 crisis has created volatility in the financial markets and a significant decrease in the overall economy. Management took steps, such as reducing expenses, to mitigate negative effects of operations.

Summary of Significant Accounting Policies

Method of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting, in accordance with generally accepted accounting principles in the United States of America which require the Foundation to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expensed for any purpose in performing the objectives of the Foundation. These net assets may be used at the discretion of the Foundation's management and Board of Trustees.

Net assets with donor restrictions - Net assets subject to stipulations imposed by donors and grantors. Some restrictions are temporary in nature; those restrictions will be met by actions of the Association or by the passage of time. Other restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

BROOKDALE COMMUNITY COLLEGE FOUNDATION

(A Component Unit of Brookdale Community College)

Notes to Financial Statements - Continued

June 30, 2020 and 2019

(1) Summary of Significant Accounting Policies (continued)

Measure of Operations

The statements of activities report all changes in net assets. Operating activities consist of those items attributable to the Foundation's ongoing purpose and the return earned on investments. Non-operating activities are limited to resources that generate and other activities considered to be of a more unusual nonrecurring nature.

Foundation sponsored events

The Foundation recognizes event revenue for a particular event once that event has taken place.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions about future events. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as reported amounts of revenues and expenses during the reporting period. Management evaluates the estimates and assumptions on an ongoing basis using historical experience and other factors that management believes to be reasonable under the circumstances. Adjustments to estimates and assumptions are made as facts and circumstances require. As future events and their effects cannot be determined with certainty, actual results may differ from the estimates used in preparing the accompanying financial statements.

Cash and Equivalents

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

Restricted Cash

The Foundation's restricted cash consists of funds set aside due to donor restrictions.

Unconditional Promises to Give

Unconditional promises to give are recorded when made and considered to be available for without donor restrictions use unless specifically restricted by the donor. A present value is determined on all promises when it is determined the promise will not be received within a year, or it cannot be determined when it will be received. As of June 30, 2020 and 2019, the Foundation had no unconditional promises to give that exceeded one year in nature.

Pledges Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows.

BROOKDALE COMMUNITY COLLEGE FOUNDATION

(A Component Unit of Brookdale Community College)

Notes to Financial Statements - Continued

June 30, 2020 and 2019

(1) Summary of Significant Accounting Policies (continued)

Pledges Receivable (continued)

The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Discount amortization is included in contributions revenue. Conditional promises to give are not included as support until the conditions are met. As of June 30, 2020 and 2019, management has concluded an allowance for doubtful accounts is not required.

Investments

Investments are initially reported at cost, if purchased, or at fair value, if donated. Thereafter, investments are reported at their fair values in the statements of financial position, and changes in fair value are reported as investment return in the statements of activities.

Purchases and sales of securities are reflected on a trade-date basis. Gains and losses on sales of securities are based on average cost and are recorded in the statements of activities in the period in which the securities are sold. Interest is recorded when earned. Dividends are accrued as of the ex-dividend date.

Investment risk

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

Fair Value Measurements

Promulgations of the Financial Accounting Standards Board have established a framework for measuring fair value, which provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under are described as follows:

- | | |
|---------|---|
| Level 1 | Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access. |
| Level 2 | Inputs to the valuation methodology include: <ul style="list-style-type: none">• Quoted prices for similar assets or liabilities in active markets;• Quoted prices for identical or similar assets or liabilities in inactive markets; |

BROOKDALE COMMUNITY COLLEGE FOUNDATION

(A Component Unit of Brookdale Community College)

Notes to Financial Statements - Continued

June 30, 2020 and 2019

(1) Summary of Significant Accounting Policies (continued)

Fair Value Measurements (continued)

- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from, or corroborated by, observable market data by correlation or other means.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Contributions

Contributions are recognized as revenue when the conditions contained in the respective agreements have been met. Contributions are conditional if there is a barrier that must be overcome before the recipient is entitled to the asset transferred and the donor has the right to request the asset back if it is not properly used.

Unconditional contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor-restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

In-Kind Support

Donated materials are recorded at fair market value as both revenue and expense in the statements of activities and changes in net assets. The Foundation receives a significant amount of contributed time from volunteers that does not meet the requirements of a monetary contribution and accordingly, the value of these services has not been reflected in these financial statements.

Income Taxes

The Foundation has been notified by the Internal Revenue Service that it meets the qualifications to be classified as a tax-exempt entity under Section 501 (c)(3) of the Internal Revenue Code. As a not-for-profit entity exempt from income taxes, the Foundation may, however, be subject to tax on unrelated business income.

BROOKDALE COMMUNITY COLLEGE FOUNDATION

(A Component Unit of Brookdale Community College)

Notes to Financial Statements - Continued

June 30, 2020 and 2019

(1) Summary of Significant Accounting Policies (continued)

Income Taxes (continued)

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

Office Furnishings and Equipment

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

Endowment Funds

The Foundation has interpreted the New Jersey Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. The Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the organization
- (7) The investment policies of the organization

The Foundation’s investment policy for endowment funds is intended to preserve capital to the extent possible and provide a reasonably predictable stream of revenue to provide appropriate funding to the programs supported by endowment funds.

BROOKDALE COMMUNITY COLLEGE FOUNDATION

(A Component Unit of Brookdale Community College)

Notes to Financial Statements - Continued

June 30, 2020 and 2019

(1) Summary of Significant Accounting Policies (continued)

Endowment Funds (continued)

Earnings on endowment funds that have not yet been specifically approved for expenditure, but will be, must be classified as net assets with donor restrictions until approved for expenditure by the Foundation.

The Foundation's Board of Trustees classifies donor-restricted funds and earnings thereon in accordance with applicable state law as interpreted by the Attorney General. Endowment fund assets are appropriated for expenditure in accordance with the directions and/or intent of the donor. The Foundation's investment policy for endowment funds is intended to preserve capital to the extent possible and provide a reasonably predictable stream of revenue to provide appropriate funding to the programs supported by endowment funds.

From time to time, the fair values of endowment fund assets may, due to unfavorable market fluctuations, fall below the level that donors require to be retained for a perpetual duration. The decline below the required perpetual duration, commonly referred to as "underwater", is reported as losses within net assets with donor restrictions.

The Board of Trustees have interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. As of June 30, 2020 and 2019, the Foundation did not have endowment funds below the amount of the donor-required levels.

Functional Allocations of Expenses

Expenses are categorized by program services, management and general, or fundraising on a direct identification based where practical and on a percentage allocation basis based on management's judgement. A variety of cost allocation techniques are used such as time and effort and square footage.

Adoption of New Accounting Standards

The Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-08, *Not-for-Profit-Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. The purpose of this pronouncement is to provide guidance in determining whether transactions are non-exchange (within the scope of Topic 958) or exchange (within the scope of Topic 606) and determining whether contributions are conditional. The Foundation adopted the provisions of ASU 2018-08 for contributions received on a modified prospective basis as of July 1, 2019. Therefore, it is applied to any remaining portion of existing agreements not yet recognized as of July 1, 2019, in addition to all new agreements entered into after the date. The adoption of this pronouncement did not have a material effect on these financial statements. The Foundation will adopt the provisions on July 1, 2020 for contributions made and does not expect a significant impact on its financial statements.

BROOKDALE COMMUNITY COLLEGE FOUNDATION

(A Component Unit of Brookdale Community College)

Notes to Financial Statements - Continued

June 30, 2020 and 2019

(1) Summary of Significant Accounting Policies (continued)

Adoption of New Accounting Standard (continued)

FASB issued ASU 2016-18, *Restricted Cash (Topic 230)*. The purpose of this pronouncement is to provide guidance on the classification of restricted cash in the statement of cash flows. The Foundation adopted the provisions of ASU 2016-18 on a retrospective basis and did not necessitate an adjustment to net assets in the prior period.

New Accounting Pronouncements

FASB issued ASU 2014-09 *Revenue from Contracts with Customers* and additional ASUs containing modifications to ASU 2014-09 (collectively referred to as “*the new revenue recognition standard*”). In May 2020, the Financial Accounting Standards Board voted to extend the implementation date one year (effective for periods beginning after December 15, 2019 for non-public entities.) The purpose of the new revenue recognition standard is to remove inconsistencies and weaknesses in current revenue recognition requirements; to provide a more robust framework for addressing revenue recognition issues and to improve comparability of recognition across entities, industries, jurisdictions and capital markets. It requires the Foundation to perform certain specific steps to identify performance obligations and determine transaction prices to establish the appropriate revenue recognition. Management is in the process of evaluating these standards and has not yet determined the impact on the financial statements.

Currently for their exchange-based transactions, revenue is recognized as events occur.

FASB issued ASU 2018-13 *Fair Value Measurement: Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*, which is effective for periods beginning after December 15, 2019. Implementation of this standard will add, modify, or eliminate certain fair value instrument disclosures.

FASB issued ASU 2019-03, *Updating the Definition of Collections*, which is effective for periods beginning after December 15, 2019. Implementation of this standard will expand the definition of collections to allow the sale of collections to be used for the direct care of existing collections.

Management is in the process of evaluating these pronouncement and has not yet determined their impact on the financial statements.

(2) Cash and Equivalents

The Foundation maintains cash balances in bank deposit accounts that, at times, may exceed federally insured limits. The Foundation has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk on cash. As of June 30, 2020 and 2019, \$1,133,028 and \$688,328 was exposed to custodial risk, respectively.

(3) Cash Restricted for Long-Term Purposes

Cash restricted for long-term purposes consists of \$148,735 and \$67,606 as of June 30, 2020 and 2019, respectively, of funds that are part of the endowment funds which when combined with the endowment fund investments, represent the total of the nonexpendable net assets.

BROOKDALE COMMUNITY COLLEGE FOUNDATION

(A Component Unit of Brookdale Community College)

Notes to Financial Statements - Continued

June 30, 2020 and 2019

(4) Investments

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2020 and 2019.

Common stocks, preferred stocks, and equities: Valued at the closing price recorded on the active market on which the individual securities are traded.

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

Corporate bonds, municipal bonds, foreign bonds and U.S. Government Securities: Valued based upon quotes from independent pricing vendors based upon independent pricing models or other model-based valuation techniques such as present value of the stream of expected cash flows adjusted for the security's credit rating and other factors such as credit loss assumptions.

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

The following table set forth, by level, the Foundation's marketable securities as of June 30,:

		2020			
		<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Corporate bonds	\$	-	791,761	-	791,761
Government bonds		-	431,698	-	431,698
Foreign bonds		-	10,217	-	10,217
Mutual funds		10,056	-	-	10,056
Preferred stock		123,888	-	-	123,888
Equities		4,138,992	-	-	4,138,992
	\$	<u>4,272,936</u>	<u>1,233,676</u>	<u>-</u>	<u>5,506,612</u>
		2019			
		<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Corporate bonds	\$	-	1,086,983	-	1,086,983
Government bonds		-	474,508	-	474,508
Foreign bonds		-	19,746	-	19,746
Mutual funds		9,987	-	-	9,987
Preferred stock		131,668	-	-	131,668
Equities		4,096,699	-	-	4,096,699
	\$	<u>4,238,354</u>	<u>1,581,237</u>	<u>-</u>	<u>5,819,591</u>

BROOKDALE COMMUNITY COLLEGE FOUNDATION

(A Component Unit of Brookdale Community College)

Notes to Financial Statements - Continued

June 30, 2020 and 2019

(5) Net Assets

Net assets with donor restrictions consists of the following at June 30,:

	<u>2020</u>	<u>2019</u>
With restrictions (purpose - scholarships and grants)	\$ 2,781,536	\$ 3,016,323
With restrictions (perpetuity)	<u>2,284,411</u>	<u>2,293,370</u>
	<u>\$ 5,065,947</u>	<u>\$ 5,309,693</u>

Net Assets Released from Restrictions

Net assets with donor restrictions were released from restrictions by incurring expenses satisfying the purpose specified by the donors for the years ended June 30, 2020 and 2019 were \$1,094,634 and 882,005, respectively.

(6) Endowment Net Assets

Change to the endowment for the years ended June 30, 2020 and 2019 are as follows:

June 30, 2019	\$ 3,065,806
Investment return	161,868
Contributions	30,248
Amounts appropriated for expenditure	<u>(43,694)</u>
June 30, 2020	3,214,228
Investment return	32,107
Contributions	98,510
Amounts appropriated for expenditure	<u>(41,850)</u>
June 30, 2020	\$ <u>3,302,995</u>

BROOKDALE COMMUNITY COLLEGE FOUNDATION

(A Component Unit of Brookdale Community College)

Notes to Financial Statements - Continued

June 30, 2020 and 2019

(7) In-Kind Contributions

The Foundation received the following in-kind contributions from the College that have been reported as donated services from College on the accompanying statements of activities and changes in net assets for the years ended June 30,:

	<u>2020</u>		<u>2019</u>
Salary and benefits	\$ 118,119	\$	116,372
Rent and utilities	33,693		34,366
Professional fees	12,400		12,000
Outside services	<u>2,500</u>		<u>2,550</u>
	\$ <u>166,712</u>	\$	<u>165,288</u>

(8) Related Party Transactions

During the fiscal years 2020 and 2019, 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, 2020 and 2019, the Foundation was indebted to the College in the amount of \$46,079 and \$29,230, respectively, representing student scholarships and operating expenses paid by the College on behalf of the Foundation. This amount is non-interest-bearing and is payable on demand.

(9) Availability and Liquidity

The following represents the Foundation's assets available to meet general expenditures within one year at June 30,:

	<u>2020</u>		<u>2019</u>
Financial assets at year-end:			
Cash and equivalents	\$ 1,234,293	\$	870,379
Contribution receivable	<u>51,635</u>		<u>63,688</u>
Financial assets available to meet general expenditures within one year:	\$ <u>1,285,928</u>	\$	<u>934,067</u>

The Foundation regularly monitors liquidity required to meet its operating needs and other commitments, while also striving to maximize the investment of its available funds. The Foundation has various sources of liquidity at its disposal, including cash and equivalents and marketable securities.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Foundation considers all expenditures related to its ongoing activities of providing financial support to the College through scholarships, and grants, and fundraising efforts to be general expenditures.

BROOKDALE COMMUNITY COLLEGE FOUNDATION

(A Component Unit of Brookdale Community College)

Notes to Financial Statements - Continued

June 30, 2020 and 2019

(9) Availability and Liquidity (continued)

In addition to financial assets available to meet general expenditures over the next 12 months, the Foundation operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. At June 30, 2020 and 2019, management believes the Foundation has no liquidity issues.

(10) Subsequent Events

Management has evaluated subsequent events through November 30, 2020, the date for which the financial statements were available for issuance. With the exception of the following event, management accepted the financial statements and did not identify any other events subsequent to June 30, 2020 requiring disclosure in these financial statements.

The COVID-19 crisis as discussed in Note 1 is ongoing. In-person fundraising events have been postponed indefinitely, however, management has established a comprehensive fundraising plan for fiscal year end June 30, 2021. Management cannot reasonably estimate the duration or impact of the crisis on finances and operations.



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Brookdale Community College Foundation (a component unit of Brookdale Community College) (the "Foundation"), which comprise the statements of net position as of June 30, 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements and have issued our report thereon dated November 30, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in cursive script that reads "O'Connor + Drew, P.C.".

**Certified Public Accountants
Braintree, Massachusetts**

November 30, 2020