



THE COLLEGE OF NEW JERSEY FOUNDATION, INC.
(A Component Unit of The College of New Jersey)

Financial Statements and
Management's Discussion and Analysis

June 30, 2008 and 2007

(With Independent Auditors' Report Thereon)

THE COLLEGE OF NEW JERSEY FOUNDATION, INC.
(A Component Unit of The College of New Jersey)

Table of Contents

| | Page |
|--|-------------|
| Management's Discussion and Analysis | 1 |
| Independent Auditors' Report | 7 |
| Financial Statements: | |
| Statements of Net Assets as of June 30, 2008 and 2007 | 8 |
| Statements of Revenues, Expenses, and Changes in Net Assets for the years ended June 30, 2008 and 2007 | 9 |
| Statements of Cash Flows for the years ended June 30, 2008 and 2007 | 10 |
| Notes to Financial Statements | 11 |

THE COLLEGE OF NEW JERSEY FOUNDATION, INC.

Management's Discussion and Analysis

June 30, 2008 and 2007

Overview of Financial Statements and Financial Analysis

This section of The College of New Jersey Foundation, Inc. (the Foundation) annual financial report presents management's discussion and analysis of the Foundation's financial performance during the fiscal years ended June 30, 2008 and 2007. Since the management's discussion and analysis is designed to focus on current activities, resulting change, and currently known facts, it should be read in conjunction with the Foundation's financial statements and the related footnote disclosures. The financial statements, footnote disclosures, and this discussion are the responsibility of management.

Fund-raising Highlights for Fiscal Year 2008

Alumni and friends continue to show their support for The College of New Jersey (the College) through generous gifts, advocacy, and attendance at alumni events. Their financial contribution provides student scholarships, learning opportunities, program enhancements, and more.

During fiscal year 2008, the Foundation's fund-raising results exceeded the annual goal of \$3,745,000 by approximately \$806,000 or 22%. The number of alumni contributing cash remained relatively stable from fiscal year 2007, in which records were set in the number of alumni giving. The cash received from corporations were up significantly from the previous year by more than 24%.

A few other highlights from this fund-raising year include:

- \$4.5 million in donations to the Foundation – Our second largest contributions total ever received.
- \$1 million anonymous gift was designated to support scholarships for students from underrepresented groups and provide unrestricted funding for the College
- \$959,648 was contributed by more than 5,175 alumni.
- 33% of The College of New Jersey students received scholarship support for the 2007-2008 academic year
- Extremely generous gifts were received to enhance the library and the Schools of Arts and Communication and Education.
- Another generous commitment included a \$750,000 pledge for the School of Nursing, Health and Exercise Science Scholarship Endowment

Using the Financial Statements

The Foundation's financial report includes three financial statements, the Statement of Net Assets, the Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows. These financial statements are prepared in accordance with U.S. generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board (GASB). GASB Statement No. 35 establishes standards for external financial reporting for public colleges and universities, with resources classified for accounting and reporting purposes into four net asset categories. The financial statements presented focus on the financial condition of the Foundation, the changes in financial position, and cash flows of the Foundation as a whole.

THE COLLEGE OF NEW JERSEY FOUNDATION, INC.

Management's Discussion and Analysis

June 30, 2008 and 2007

Statement of Net Assets

The Statement of Net Assets presents the financial position of the Foundation as of the end of the fiscal year. The purpose of the Statement of Net Assets is to present to the readers of the financial statements a fiscal snapshot of the Foundation.

Assets that the Foundation owns are primarily measured at fair value. Assets are categorized as either current or noncurrent. Liabilities are what the Foundation owes to others and are also categorized as either current or noncurrent.

The change in net assets — the difference between total assets and total liabilities — is one indicator of whether the overall financial condition of the Foundation has improved or worsened during the fiscal year.

The Foundation's net assets are divided into two major categories. Restricted net assets are categorized as either nonexpendable or expendable, which are available to the Foundation but must be used for purposes as determined by donors and/or external entities. Restricted nonexpendable net assets represent the historical gift value, which donors required to be invested in perpetuity. Restricted expendable net assets include amounts committed for such things as scholarships. Finally, unrestricted net assets include amounts internally designated or committed to support specific academic and research programs and unrestricted funds functioning as endowments.

The following table shows a condensed statement of net assets as of June 30, 2008, 2007, and 2006:

| | <u>2008</u> | <u>2007</u> | <u>2006</u> |
|----------------------------|----------------------|-------------------|------------------|
| Assets: | | | |
| Current assets | \$ 5,089,958 | 5,656,727 | 1,675,003 |
| Noncurrent assets | <u>13,279,921</u> | <u>10,734,314</u> | <u>6,625,279</u> |
| Total assets | <u>18,369,879</u> | <u>16,391,041</u> | <u>8,300,282</u> |
| Liabilities: | | | |
| Current liabilities | 370,719 | 364,253 | 13,148 |
| Noncurrent liabilities | <u>3,059,833</u> | <u>3,162,812</u> | <u>70,146</u> |
| Total liabilities | <u>3,430,552</u> | <u>3,527,065</u> | <u>83,294</u> |
| Net assets: | | | |
| Restricted – nonexpendable | 5,376,224 | 3,614,479 | 2,661,200 |
| Restricted – expendable | 7,178,679 | 7,294,274 | 4,542,257 |
| Unrestricted | <u>2,384,424</u> | <u>1,955,223</u> | <u>1,013,531</u> |
| Total net assets | <u>\$ 14,939,327</u> | <u>12,863,976</u> | <u>8,216,988</u> |

Endowments

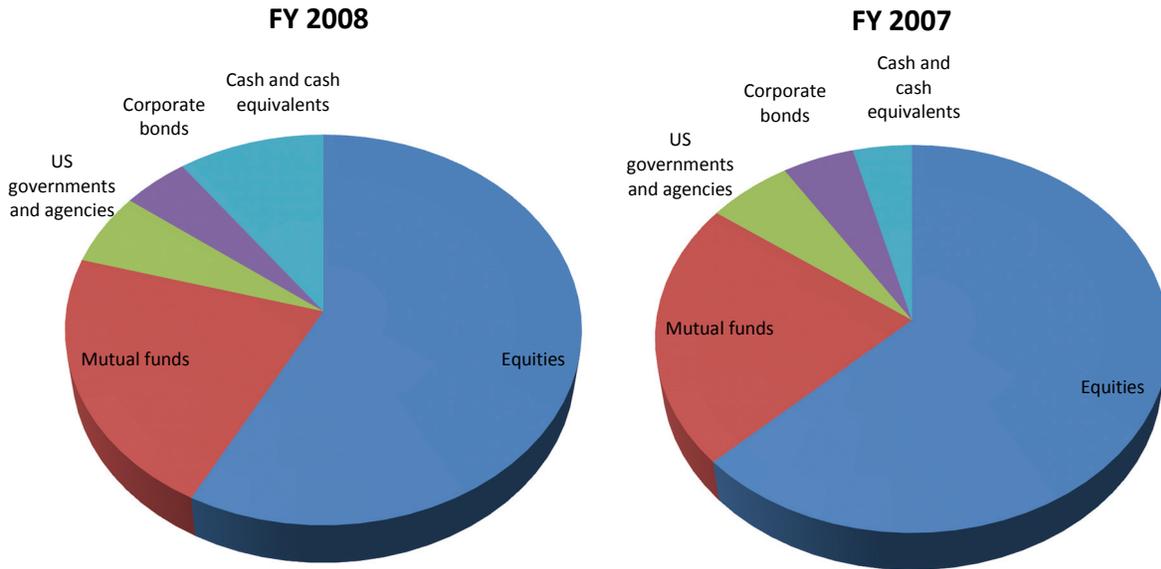
Endowment gifts make it possible to maintain perpetual support for student scholarships and fellowships given by the College. Only a portion of the endowment earnings is expended annually with the balance reinvested to protect the principal.

THE COLLEGE OF NEW JERSEY FOUNDATION, INC.

Management's Discussion and Analysis

June 30, 2008 and 2007

The Foundation utilizes the pooled investment concept whereby all invested funds are included in various investment pools, except for investments of certain funds that are otherwise restricted. The endowment portfolio is managed with a philosophy of diversifying investment across asset classes and investment managers to maximize long-term performance, reduce volatility, and control risks. Based upon the established objectives and the risk and reward characteristics of each asset class, the normal target asset mix of the investment portfolio is 60%–65% equities and stock funds, 30%–48% bonds and bond funds, and 2%–5% cash or cash equivalents. The asset mix of the pooled investments was 57.8% equity, 21.6% mutual funds, 10.6% fixed income, and 10.0% cash and cash equivalents as of June 30, 2008. Strategic adjustments within the portfolio may be required to rebalance the asset allocation back to its target. Such adjustments should be executed by investment managers so as to minimize excessive transaction costs.



| <u>Asset Allocation</u> | <u>FY08 Balance</u> | <u>FY08 Percentage</u> | <u>FY07 Balance</u> | <u>FY07 Percentage</u> |
|-----------------------------|----------------------|------------------------|----------------------|------------------------|
| Equities | \$ 8,386,356 | 57.8% | \$ 9,057,468 | 62.9% |
| Mutual funds | 3,131,820 | 21.6% | 3,185,304 | 22.1% |
| US governments and agencies | 866,795 | 6.0% | 850,924 | 5.9% |
| Corporate bonds | 665,767 | 4.6% | 716,538 | 5.0% |
| Cash and cash equivalents | 1,458,637 | 10.0% | 587,031 | 4.1% |
| Total Investments | \$ 14,509,375 | 100.0% | \$ 14,397,265 | 100.0% |

During fiscal year 2008, the Foundation received a \$1.0 million anonymous gift of which \$750,000 was designated by the donor to support scholarships for students from underrepresented groups and the balance of \$250,000 earmarked to provide unrestricted funding for the College.

At the end of fiscal year 2008, the Foundation had three major endowment commitments totaling \$1.5 million to be funded over the next one to three years. A pledge in the amount of \$750,000 was received for the School of Nursing, Health and Exercise Science Scholarship Endowment. A second pledge in the amount of \$500,000 was

THE COLLEGE OF NEW JERSEY FOUNDATION, INC.

Management's Discussion and Analysis

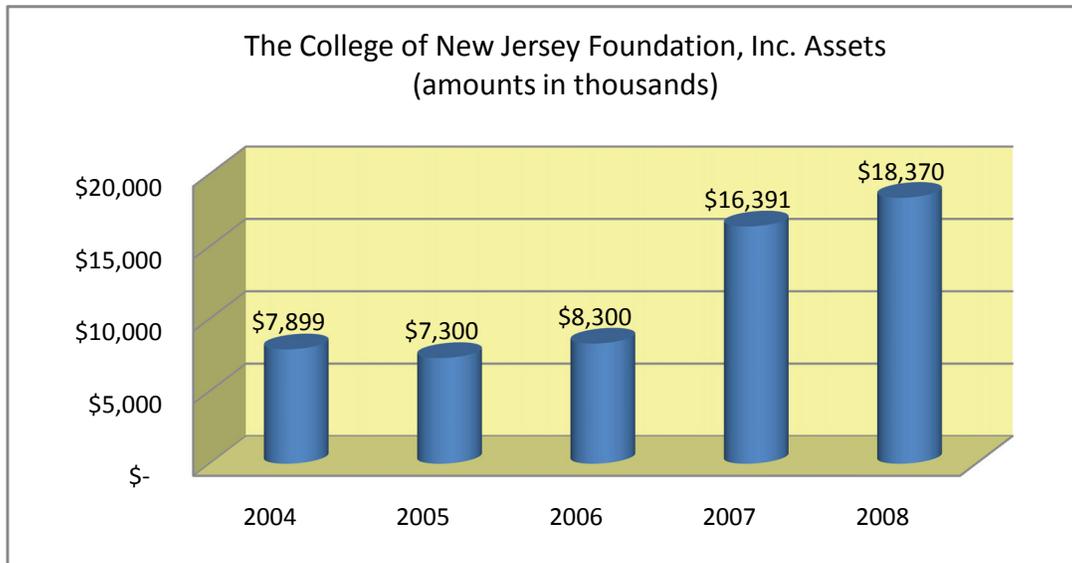
June 30, 2008 and 2007

used to establish an endowed scholarship fund to support students in the School of Education. As of June 30, 2008, payments totaling \$306,299 were received on this pledge. The third commitment of \$250,000 was used to establish a permanent endowment in support of music scholarships within the School of Arts and Communication. As of June 30, 2008, payments totaling \$150,000 were received towards the third pledge.

During fiscal year 2007, three bequests totaling \$382,717 were received to be added to an existing endowment fund and to create two new permanent endowment funds. The earnings from these funds will be used to provide funding for scholarships for students at the College.

Assets

As of June 30, 2008, the Foundation's assets, which primarily consist of investments and cash and cash equivalents totaled \$18.4 million. The chart below illustrates the total assets for the five-year period ended June 30, 2008.



Cash and Cash Equivalents

During fiscal year 2008, the Foundation's cash and cash equivalents increased by \$1.4 million due primarily to a successful fund-raising campaign. The \$4.1 million in cash receipts from contributions were offset by transfers of \$1.5 million to investment managers plus operating expenses of \$773 thousand and restricted funds contributed to the College of \$576 thousand.

During fiscal year 2007, the Foundation's cash and cash equivalents increased by \$1.3 million due primarily to a successful fund-raising campaign. Cash receipts from contributions totaled \$8.5 million. This increase was offset by transfers of \$5.2 million to investments for the planned giving program plus operating expenses of \$633 thousand and restricted funds contributed to the College of \$1.1 million.

THE COLLEGE OF NEW JERSEY FOUNDATION, INC.

Management's Discussion and Analysis

June 30, 2008 and 2007

Investments

In fiscal year 2008, investments had a modest increase primarily due to the transfer of \$1.5 million of excess cash to various money managers coupled with interest income of \$903 thousand. This was offset by net unrealized losses of \$1.8 million due to the stock market poor performance. For fiscal year 2008, the net rate of return on the endowment pool was (3.7%).

In fiscal year 2007, investments increased significantly by \$6.8 million primarily due to gift annuities in excess of \$5.2 million. The growth was also driven by fair value appreciation coupled with investment income of \$1.6 million. For fiscal year 2007, the net rate of return on the endowment pool was 13.1%.

Liabilities

In fiscal year 2008 liabilities decreased by \$97 thousand and in fiscal year 2007 liabilities increased by \$3.4 million. The 2007 increase was due to the adjustments of the actuarial present value of the gift annuities.

Current Ratio

The Foundation's current ratio measures its ability to satisfy current obligations as they come due. As of June 30, 2008 and 2007, the current liability was \$371 thousand and \$364 thousand, respectively. This indicates that the Foundation's current assets of \$5.1 million and \$5.7 million as of June 30, 2008 and 2007, respectively, were more than sufficient to cover its current liabilities.

Net Assets

Nonexpendable Net Assets

During fiscal years 2008 and 2007, nonexpendable net assets increased by \$1.8 million or 49% and \$953,279 or 36%, respectively. These increases were mainly due to some large endowment gifts received during those years that were permanently restricted by donors.

Expendable Net Assets

Expendable net assets had a net decrease of \$116 thousand or 1.6% in fiscal year 2008 primarily due to the disbursement of gift annuity payments. The fiscal year 2007 increase was primarily due to the receipt of gift annuities in excess of \$5.2 million. The actuarial liability (present value of these gift annuities) is reported as a reduction of the expendable net assets.

Unrestricted Net Assets

In fiscal years 2008 and 2007, the unrestricted net assets increases of \$429 thousand or 21.9% and \$942 thousand or 92.9% respectively, were primarily due to the receipts of more unrestricted gifts.

Statement of Revenues, Expenses, and Changes in Net Assets

The Statement of Revenues, Expenses, and Changes in Net Assets presents the revenues earned and the expenses incurred by the Foundation during the fiscal year. Activities are reported as either operating or nonoperating. Generally speaking, operating revenues are earned in exchange for providing goods and services and operating expenses are incurred in the normal operation of the Foundation.

THE COLLEGE OF NEW JERSEY FOUNDATION, INC.

Management's Discussion and Analysis

June 30, 2008 and 2007

The following table shows a condensed statement of revenues, expenses, and changes in net assets for the years ended June 30, 2008, 2007, and 2006:

| | <u>2008</u> | <u>2007</u> | <u>2006</u> |
|---|----------------------|-------------------|------------------|
| Operating revenues | \$ 2,921,694 | 4,173,040 | 2,021,035 |
| Operating expenses | <u>773,434</u> | <u>633,140</u> | <u>506,829</u> |
| Operating income | 2,148,260 | 3,539,900 | 1,514,206 |
| Nonoperating and other (expenses) revenues, net | <u>(72,909)</u> | <u>1,107,088</u> | <u>(597,636)</u> |
| Increase in net assets | 2,075,351 | 4,646,988 | 916,570 |
| Net assets as of beginning of year | <u>12,863,976</u> | <u>8,216,988</u> | <u>7,300,418</u> |
| Net assets as of end of year | <u>\$ 14,939,327</u> | <u>12,863,976</u> | <u>8,216,988</u> |

Operating Revenues

The Foundation's main source of revenue is contributions. Under GASB 34 and 35, unrestricted and restricted contributions are reflected as operating revenue. The fiscal year 2008 operating revenue decrease of \$1.3 million was primarily due to the receipt of a number of significant contributions in the previous year, a portion of which was designated by donors as restricted.

Operating Expenses

Scholarships and awards increased in fiscal year 2008 by \$115 thousand or 25.5% due to the funding of more donor designated scholarships. Program services expense which includes membership dues and investment manager fees remained relatively stable during fiscal years 2008 and 2007. Fund-raising expense also remained stable in fiscal years 2008 and 2007.

Nonoperating and Other (Expenses) Revenues, net

In fiscal year 2008, nonoperating expenses, net totaled \$1.7 million. Of this amount, nonoperating revenues totaled \$903 thousand of interest and dividend income. The total nonoperating expenses of \$2.6 million were comprised of investment unrealized loss, contributions to the College for scholarship support, and an adjustment to the actuarial liability for annuities payable. Other revenues included additions to permanent endowments of \$1.6 million.

In fiscal year 2007, nonoperating revenues, net totaled \$135 thousand. Of this amount, nonoperating revenues totaled \$1.7 million, which was comprised of investment income and investment fair value appreciation. The total nonoperating expenses of \$1.5 million included contributions to the College for scholarship support plus an adjustment to the actuarial liability for annuities payable. Other revenues included additions to permanent endowments of \$972 thousand.



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Independent Auditors' Report

The Board of Directors
The College of New Jersey Foundation, Inc.:

We have audited the accompanying financial statements of The College of New Jersey Foundation, Inc. (the Foundation), a component unit of The College of New Jersey, as of and for the years ended June 30, 2008 and 2007, 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 audits.

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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 The College of New Jersey Foundation, Inc. as of June 30, 2008 and 2007, and the changes in its financial position and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis on pages 1 through 6 is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. 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.

KPMG LLP

October 20, 2008

THE COLLEGE OF NEW JERSEY FOUNDATION, INC.
(A Component Unit of The College of New Jersey)

Statements of Net Assets

June 30, 2008 and 2007

| Assets | 2008 | 2007 |
|---|---------------|-------------|
| Current assets: | | |
| Cash and cash equivalents | \$ 3,281,870 | 1,835,542 |
| Investments (note 3) | 1,758,369 | 3,772,335 |
| Miscellaneous receivables | 49,719 | 47,651 |
| Due from The College of New Jersey (note 4) | — | 1,199 |
| Total current assets | 5,089,958 | 5,656,727 |
| Noncurrent assets: | | |
| Investments (note 3) | 12,751,006 | 10,624,930 |
| Other assets | 528,915 | 109,384 |
| Total noncurrent assets | 13,279,921 | 10,734,314 |
| Total assets | 18,369,879 | 16,391,041 |
| Liabilities | | |
| Current liabilities: | | |
| Accounts payable | 139 | 4,415 |
| Due to The College of New Jersey (note 4) | 11,883 | — |
| Annuities payable | 358,697 | 359,838 |
| Total current liabilities | 370,719 | 364,253 |
| Noncurrent liabilities: | | |
| Annuities payable | 3,059,833 | 3,162,812 |
| Total noncurrent liabilities | 3,059,833 | 3,162,812 |
| Total liabilities | 3,430,552 | 3,527,065 |
| Net Assets | | |
| Restricted: | | |
| Nonexpendable: | | |
| Scholarships | 4,193,866 | 2,517,913 |
| Other programs | 1,182,358 | 1,096,566 |
| Expendable: | | |
| Scholarships | 3,819,210 | 4,139,274 |
| Research | 858,232 | 330,227 |
| Other | 2,501,237 | 2,824,773 |
| Unrestricted | 2,384,424 | 1,955,223 |
| Total net assets | \$ 14,939,327 | 12,863,976 |

See accompanying notes to financial statements.

THE COLLEGE OF NEW JERSEY FOUNDATION, INC.
(A Component Unit of The College of New Jersey)

Statements of Revenues, Expenses, and Changes in Net Assets

Years ended June 30, 2008 and 2007

| | <u>2008</u> | <u>2007</u> |
|--|----------------------|-------------------|
| Operating revenues: | | |
| Contributions | \$ 2,921,694 | 4,173,040 |
| Total operating revenues | <u>2,921,694</u> | <u>4,173,040</u> |
| Operating expenses: | | |
| Scholarships and awards | 564,727 | 449,896 |
| Fund-raising events | 36,953 | 40,503 |
| Program services | 171,754 | 142,741 |
| Total operating expenses | <u>773,434</u> | <u>633,140</u> |
| Operating income | <u>2,148,260</u> | <u>3,539,900</u> |
| Nonoperating (expenses) revenues: | | |
| Investment (loss) income | (860,664) | 1,644,788 |
| Scholarships and restricted funds contributed to The College of New Jersey (note 4) | (593,386) | (1,135,068) |
| Adjustment to actuarial liability for annuities payable | (248,051) | (375,112) |
| Net nonoperating (expenses) revenues | <u>(1,702,101)</u> | <u>134,608</u> |
| Income before other revenues | 446,159 | 3,674,508 |
| Additions to permanent endowments | <u>1,629,192</u> | <u>972,480</u> |
| Increase in net assets | 2,075,351 | 4,646,988 |
| Net assets as of beginning of year | <u>12,863,976</u> | <u>8,216,988</u> |
| Net assets as of end of year | <u>\$ 14,939,327</u> | <u>12,863,976</u> |

See accompanying notes to financial statements.

THE COLLEGE OF NEW JERSEY FOUNDATION, INC.
(A Component Unit of The College of New Jersey)

Statements of Cash Flows

Years ended June 30, 2008 and 2007

| | <u>2008</u> | <u>2007</u> |
|---|----------------------------|-------------------------|
| Cash flows from operating activities: | | |
| Contributions | \$ 2,496,745 | 4,147,396 |
| Scholarships and awards | (564,727) | (449,896) |
| Fund-raising | (36,953) | (40,503) |
| Program services | (159,871) | (142,741) |
| | <u>1,735,194</u> | <u>3,514,256</u> |
| Cash flows from noncapital financing activities: | | |
| Contributions to annuity funds | 30,000 | 3,440,789 |
| Additions to permanent endowments | 1,629,192 | 972,480 |
| Scholarships and restricted funds contributed to The College of New Jersey | (588,843) | (1,135,068) |
| Payments to annuitants | (357,915) | (370,510) |
| | <u>712,434</u> | <u>2,907,691</u> |
| Cash flows from investing activities: | | |
| Interest income | 902,650 | 676,277 |
| Purchases of securities | (5,450,556) | (10,115,876) |
| Proceeds from sale of securities | 3,546,606 | 4,282,576 |
| | <u>(1,001,300)</u> | <u>(5,157,023)</u> |
| Net increase in cash and cash equivalents | 1,446,328 | 1,264,924 |
| Cash and cash equivalents as of beginning of year | <u>1,835,542</u> | <u>570,618</u> |
| Cash and cash equivalents as of end of year | <u><u>3,281,870</u></u> | <u><u>1,835,542</u></u> |
| Reconciliation of operating income to net cash provided by operating activities: | | |
| Operating income | \$ 2,148,260 | 3,539,900 |
| Noncash transaction | (424,080) | — |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | |
| Changes in assets and liabilities: | | |
| Miscellaneous receivables | (2,068) | (47,651) |
| Net due to The College of New Jersey | 13,082 | 22,007 |
| Net cash provided by operating activities | <u><u>\$ 1,735,194</u></u> | <u><u>3,514,256</u></u> |
| Noncash transaction: | | |
| Contributions of equipment | \$ (424,080) | — |

See accompanying notes to financial statements.

THE COLLEGE OF NEW JERSEY FOUNDATION, INC.
(A Component Unit of The College of New Jersey)

Notes to Financial Statements

June 30, 2008 and 2007

(1) Organization

The College of New Jersey Foundation, Inc. (the Foundation) is a not-for-profit organization exempt from income tax under Internal Revenue Service Code 501(c)(3). The Foundation's objective is to obtain private funding to enhance the educational goals of The College of New Jersey (the College).

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The accounting policies of the Foundation conform to U.S. generally accepted accounting principles. The Foundation financial statements are based on all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Review Board of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

GASB Statement No. 35 establishes standards for external financial reporting for public colleges and universities and requires that a statement of cash flows be prepared using the direct method and that resources be classified for accounting and reporting purposes 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 are 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 and may be designated for specific purposes by action of the board of trustees or may otherwise be limited by contractual agreements with outside parties.

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.

(b) Measurement Focus and Basis of Accounting

The accompanying financial statements of the Foundation have been prepared on the accrual basis of accounting using the economic resources measurement focus.

THE COLLEGE OF NEW JERSEY FOUNDATION, INC.
(A Component Unit of The College of New Jersey)

Notes to Financial Statements

June 30, 2008 and 2007

(c) Cash and Cash Equivalents

Cash and cash equivalents consist of investments with the New Jersey State Cash Management Fund and Wachovia Bank. The New Jersey State Cash Management Fund is combined into a large scale investment program with amounts contributed by other state entities. These investments consist primarily of U.S. Treasury securities. All highly liquid investments purchased with an original maturity of three months or less are considered to be cash equivalents.

(d) Investments

Investments are reflected at fair value, which is based on quoted market price. Purchases and sales of investments are accounted for on the trade-date basis. Investment income is recorded on an accrual basis.

(e) Contributions

Contributions are generally recorded upon their communication to the Foundation. Additions to permanent endowments are recorded upon receipt. Pledges related to permanent endowments and term endowments do not meet the recognition criteria of GASB Statement No. 33. These pledges, which were \$1,043,702 and \$699,108 as of June 30, 2008 and 2007, respectively, have not been included in the accompanying statements of net assets.

(f) Operating Activities

The Foundation's policy for defining operating activities as reported on the statements of revenues, expenses, and changes in net assets are those that serve the Foundation's principal purpose. Operating activities generally result from contributions received, payments made for scholarships and awards, and expenses associated with fund-raising events and investment manager fees. The annual scholarship support to the College is considered a nonoperating expense as defined by GASB Statement No. 34.

(g) Annuities Payable

Annuities payable are created when assets are contributed to the Foundation on condition that the Foundation obligate itself to pay stipulated amounts periodically to designated annuitants. Annuities payable are recorded at the present value of the expected future cash payments to the annuitants. Changes in the life expectancy of the donor or annuitant, amortization of the discount and other changes in the estimates of future payments are reported as an adjustment to actuarial liability for annuities payable in the accompanying statements of revenues, expenses, and changes in net assets.

(h) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 reported period. Actual results could differ from those estimates.

THE COLLEGE OF NEW JERSEY FOUNDATION, INC.
(A Component Unit of The College of New Jersey)

Notes to Financial Statements

June 30, 2008 and 2007

(3) Investments

The Foundation has an investment policy, which establishes guidelines for permissible investments. The primary investment objective is to preserve and increase the value of endowment funds and maximize the long-term total rate of return on all invested assets while assuming a level of risk consistent with prudent investment practices for such funds. The Foundation may invest in obligations of the U.S. Government, certificates of deposit, money market funds, equities and stock funds, and bonds and bond funds. Investments consist of the following as of June 30, 2008 and 2007:

| | 2008 | 2007 |
|---|---------------|-------------|
| Equities | \$ 8,386,356 | 9,057,468 |
| Mutual funds | 3,131,820 | 3,185,304 |
| U.S. Treasury bills and notes and Government agencies | 866,795 | 850,924 |
| Corporate bonds | 665,767 | 716,538 |
| Cash and cash equivalents | 1,458,637 | 587,031 |
| Total | \$ 14,509,375 | 14,397,265 |

The Foundation's investments are subject to various risks. Among these risks are credit risk, concentration of credit risk, and interest rate risk. Each one of these risks is discussed in more detail below.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The credit risk of a debt instrument is measured by nationally recognized statistical rating agencies such as Moody's Investors Service, Inc. (Moody's).

As of June 30, 2008, the Foundation's fixed income investments, which consist of U.S. Treasury bills and notes, U.S. Government agencies, and corporate bonds, were rated as follows:

| Rating | Total | U.S. Treasury bills and notes | U.S. Government agencies | Corporate bonds |
|--------|--------------|--|--------------------------------|--------------------|
| Aaa | \$ 944,276 | 581,225 | 285,570 | 77,481 |
| Aa2 | 118,630 | — | — | 118,630 |
| Aa3 | 217,475 | — | — | 217,475 |
| A1 | 76,537 | — | — | 76,537 |
| A2 | 98,529 | — | — | 98,529 |
| A3 | 17,079 | — | — | 17,079 |
| Baa1 | 8,861 | — | — | 8,861 |
| Baa3 | 51,175 | — | — | 51,175 |
| Total | \$ 1,532,562 | 581,225 | 285,570 | 665,767 |

THE COLLEGE OF NEW JERSEY FOUNDATION, INC.
(A Component Unit of The College of New Jersey)

Notes to Financial Statements

June 30, 2008 and 2007

As of June 30, 2007, the Foundation's fixed income investments, which consist of U.S. Treasury bills and notes, U.S. Government agencies, and corporate bonds, were rated as follows:

| <u>Rating</u> | <u>Total</u> | <u>U.S. Treasury bills and notes</u> | <u>U.S. Government agencies</u> | <u>Corporate bonds</u> |
|---------------|---------------------|--|---|----------------------------|
| Aaa | \$ 919,403 | 570,070 | 280,854 | 68,479 |
| Aa1 | 63,248 | — | — | 63,248 |
| Aa2 | 168,022 | — | — | 168,022 |
| Aa3 | 126,152 | — | — | 126,152 |
| A1 | 120,360 | — | — | 120,360 |
| A2 | 106,555 | — | — | 106,555 |
| A3 | 13,104 | — | — | 13,104 |
| Baa3 | 50,618 | — | — | 50,618 |
| Total | <u>\$ 1,567,462</u> | <u>570,070</u> | <u>280,854</u> | <u>716,538</u> |

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Foundation's investment policy provides limitations in the maturities of various types of investments. As of June 30, 2008, the Foundation's fixed income investments, which consist of U.S. Treasury bills and notes, U.S. Government agencies, and corporate bonds, had maturity dates as follows:

| <u>Maturing in years</u> | <u>Total</u> | <u>U.S. Treasury bills and notes</u> | <u>U.S. Government agencies</u> | <u>Corporate bonds</u> |
|--------------------------|---------------------|--|---|----------------------------|
| Less than 1 | \$ 263,529 | 134,087 | 29,218 | 100,224 |
| 1 – 5 | 884,978 | 279,511 | 101,751 | 503,716 |
| 6 – 10 | 176,462 | 84,129 | 30,506 | 61,827 |
| Greater than 10 | 207,593 | 83,498 | 124,095 | — |
| Total | <u>\$ 1,532,562</u> | <u>581,225</u> | <u>285,570</u> | <u>665,767</u> |

THE COLLEGE OF NEW JERSEY FOUNDATION, INC.
(A Component Unit of The College of New Jersey)

Notes to Financial Statements

June 30, 2008 and 2007

As of June 30, 2007, the Foundation's fixed income investments, which consist of U.S. Treasury bills and notes, U.S. Government agencies, and corporate bonds, had maturity dates as follows:

| <u>Maturing in years</u> | <u>Total</u> | <u>U.S. Treasury bills and notes</u> | <u>U.S. Government agencies</u> | <u>Corporate bonds</u> |
|--------------------------|---------------------|--|---|----------------------------|
| Less than 1 | \$ 196,448 | 55,023 | 91,158 | 50,267 |
| 1 – 5 | 742,070 | 202,957 | 87,716 | 451,397 |
| 6 – 10 | 533,271 | 262,302 | 56,095 | 214,874 |
| Greater than 10 | 95,673 | 49,788 | 45,885 | — |
| Total | <u>\$ 1,567,462</u> | <u>570,070</u> | <u>280,854</u> | <u>716,538</u> |

(4) Transactions with Affiliates

The Foundation has approved contributions to the College for support of scholarships, restricted funds, and library acquisitions of \$593,386 and \$1,135,068 during 2008 and 2007, respectively. Annually, the board of directors of the Foundation approves the amount to be transferred to the College. The following table shows the contributions to the College for 2008 and 2007:

| | <u>2008</u> | <u>2007</u> |
|---------------------|-------------------|------------------|
| Scholarship support | \$ 30,321 | 75,346 |
| Restricted funds | 563,065 | 1,059,722 |
| Total | <u>\$ 593,386</u> | <u>1,135,068</u> |

As of June 30, 2008 and 2007, there was a receivable of \$0 and \$1,199, respectively, due from the College to the Foundation for employee annual fund contributions. As of June 30, 2008 there was a payable of \$11,883 due from the Foundation to the College for operations.

(5) Funds Held in Trust

Funds held in trust by others and not in the possession of, nor under the control of, the Foundation are not included in the Foundation's cash and cash equivalents and investments. The fair value of such funds approximated \$1,290,000 and \$1,431,000 as of June 30, 2008 and 2007, respectively.